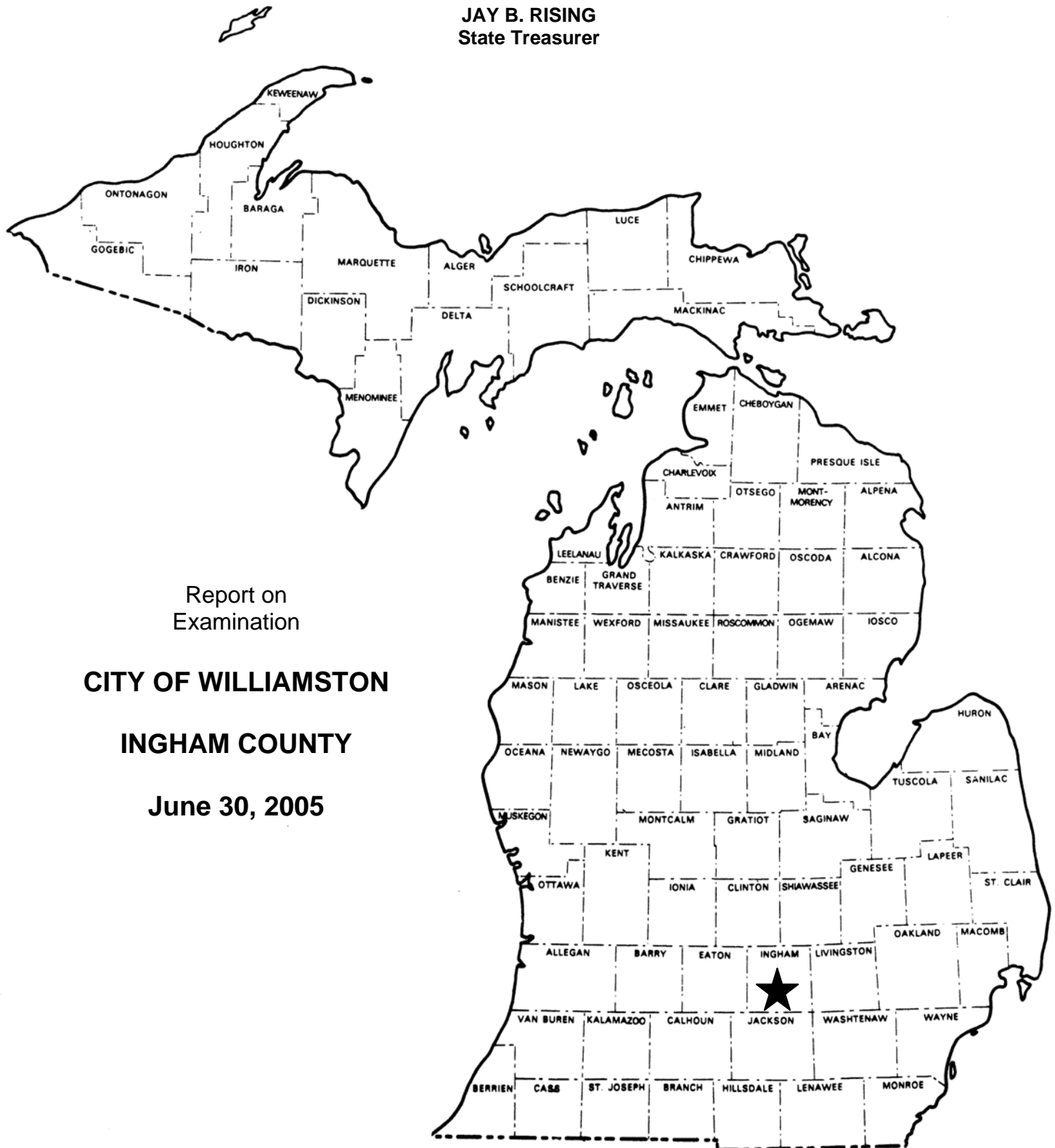


STATE OF MICHIGAN
JENNIFER M. GRANHOLM, Governor
DEPARTMENT OF TREASURY

JAY B. RISING
State Treasurer



Local Audit and Finance Division
Bureau of Local Government Services

CITY OF WILLIAMSTON

CITY COUNCIL

Kenneth V. Zichi
Mayor

Robert Hanna
Mayor Pro-tem

James DeForest
George Monroe

Penny Davis
Scott Vanallsburg

Lisa Hitchcock
Manager

Alan Dolley
Treasurer

CITY POPULATION--2000
3,441

STATE EQUALIZED VALUATION--2004
\$124,273,620



JENNIFER M. GRANHOLM
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

JAY B. RISING
STATE TREASURER

September 7, 2005

Honorable Mayor and City Council
City of Williamston
161 East Grand River Avenue
Williamston, Michigan 48895

Independent Auditor's Report

Dear Council Members:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Williamston, Michigan, as of and for the year ended June 30, 2005, which collectively comprise the City of Williamston's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the City of Williamston's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Williamston, as of June 30, 2005 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated September 7, 2005, on our consideration of the City of Williamston's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with

Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis on pages 1 through 10 and the Budgetary Comparisons for the Major Funds in Exhibits K, L and M are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurements and the presentation of supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Williamston's basic financial statements. The accompanying supplemental information in Exhibits N through W is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken, as a whole.



Cary Jay Vaughn, CPA, CGFM
Audit Manager
Local Audit and Finance Division

CITY OF WILLIAMSTON

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The following is a discussion and analysis of the City of Williamston's financial performance and position, providing an overview of the activities for the fiscal year ended June 30, 2005. This analysis should be read in conjunction with the *Independent Auditors Report*, our letter of transmittal, and with the City of Williamston's financial statements, which follow this section.

Financial Highlights

As discussed in further detail in this management's discussion and analysis, the following represent the most significant financial highlights for the year ended June 30, 2005:

- The City had a significant increase in Governmental Activity net assets due to the addition of the new Putnam Street Bridge to the fixed assets schedule.
- Business Activity net assets increased 6%, primarily due to the dedication of privately constructed infrastructure to the City's water and sewer systems.
- Revenues for Governmental Activities increased 17% from the previous year due to capital and operating grants, including a Federal grant of approximately \$1,000,000 for construction of the Putnam Street Bridge.
- Tax revenue increased 7% from the previous year. This reflects growth in the tax base due to new home construction, existing home sales, and scheduled reassessments.
- The General Fund balance decreased approximately \$48,000 due to planned expenditures for engineering and design of the Putnam Street Bridge.
- State shared revenue, a major source of revenue for the City's General Fund, was frozen at the same level as the previous year.

Using this Annual Report

The annual financial report of the City of Williamston consists of the following components: 1) *Independent Auditor's Report*; 2) *Management's Discussion and Analysis*; 3) the *Basic Financial Statements* (government-wide financial statements, fund financial statements, notes to the financial statements); 4) *Required Supplementary Information* such as budget-to-actual comparisons for the General Fund and major Special Revenue Funds; and 5) *Other Supplementary Information* including combining financial statements for all nonmajor governmental and proprietary funds.

Government-wide Financial Statements (Reporting the City as a Whole)

The Statement of Net Assets and the Statement of Activities provide information about the City as a whole and present a longer-term view of the City's finances. Their purpose is to assist in answering the question, "Is the City of Williamston, in its entirety, better or worse off as a result of this fiscal year's activities?" These statements are reported on the *accrual basis of accounting*, similar to a private business. This means revenues are accounted for when they are earned and expenses are accounted for when incurred, regardless of when the actual cash is received or disbursed.

The Statement of Net Assets presents all of the City of Williamston's assets and liabilities, recording the difference between the two as "net assets." Over time, increases or decreases in net assets measure whether the City of Williamston's financial position is improving or deteriorating.

The Statement of Activities presents information showing how the City of Williamston's net assets changed during fiscal year 2005. All changes in net assets are reported based on the period for which the underlying events giving rise to the change occurs, regardless of the timing of related cash flows. Therefore, revenue and expenses are reported in these statements for some items that will only result in cash flows in future financial periods, such as uncollected taxes, and earned but unused employee personal leave.

Fund Financial Statements (Reporting the City's Major Funds)

The governmental funds financial statements are reported on a *modified accrual basis of accounting*. Under modified accrual accounting, revenues are recognized when they are measurable and available to pay obligations of the fiscal period; expenditures are recognized when they are due to be paid from available resources. The fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending.

Fund financial statements also report the City's operations in more detail than the government-wide financial statements by providing information about the City's most significant funds. Fund financial statements are utilized to track specific operations; these include the General, Major Street, Local Street, Water and Sewer Funds.

The fiduciary fund statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government.

Comparison of Government-Wide and Fund Financial Statements

Both statements report governmental activities and business-type activities. Governmental activities include the General Fund, Special Revenue Funds and Debt Service Funds. Business-type activities include the Water and Sewer Funds.

Because of the different basis of accounting between the fund statements and the government-wide statements, reconciliations between the two statement types are also presented in this report. The following summarizes the impact of transitioning from modified accrual to full accrual accounting:

- Capital assets used in governmental activities (depreciation) are not reported on the fund financial statements of the governmental funds; however, depreciation expense is reported on the government-wide statements.
- Capital outlay spending results in capital assets on the government-wide statements, but is reported as expenditures on the fund financial statements of the governmental funds.
- Long-term liabilities, such as reserves for personal leave (compensated absences), etc. appear as liabilities on the government-wide statements; however, they will not appear on the fund financial statements unless current resources are used to pay a specific obligation.
- Bond proceeds are reported as liabilities on the government-wide statements, but are recorded as other financing sources on the fund financial statements.

In addition, the government-wide financial statements include the net value of the City of Williamston's general capital assets such as buildings, land, cars, computer equipment, etc. These values are not included in the fund financial statements.

Governmental Activities/Governmental Funds

Most of the City of Williamston's basic services are reported under this category. Taxes, charges for services and intergovernmental revenue primarily fund these services. Most of the City of Williamston's general government departments such as police, public works, recreation programs, and Major and Local street maintenance are reported under these activities. The most significant is the police department, which incurred expenses of approximately \$500,000 in 2005.

Business-Type Activities/Proprietary Funds

Business-type activities are those that are financed primarily by charges for services or user fees. The City's business-type activities consist of the Water and Sewer Funds; these types of operations are most similar to private businesses.

Discretely Presented Component Units/Fiduciary Funds

Discretely Presented Component Units are legally separate organizations for which the City of Williamston's City Council appoints a majority of the organization's policy board and there is a degree of financial accountability to the City. Organizations included as component units: Downtown Development Authority (DDA), Economic Development Corporation (EDC), TIFA 2A and TIFA 2B. The government-wide statements *exclude* the fiduciary fund activities and balances because these assets are not available to the City to fund its operations.

City of Williamston, Michigan**Management's Discussion and Analysis
Fiscal Year Ended June 30, 2005****The City of Williamston as a Whole**

Listed below is a summary of the changes in net assets from 2004 as compared to 2005 for the Governmental Activities and the Business-Type Activities:

<u>GOVERNMENTAL ACTIVITIES</u>	<u>2004</u>	<u>2005</u>	<u>Amount Difference</u>	<u>Percent Difference</u>
Current Assets	\$1,515,142	\$ 1,675,721	\$ 160,579	11%
Noncurrent Assets	<u>1,902,964</u>	<u>2,847,633</u>	<u>944,669</u>	<u>50%</u>
Total Assets	<u>3,418,106</u>	<u>4,523,354</u>	<u>1,105,248</u>	<u>32%</u>
Current Liabilities	63,342	57,065	(6,277)	-10%
Long-Term Liabilities	<u>2,659,359</u>	<u>2,676,355</u>	<u>16,996</u>	<u>1%</u>
Total Liabilities	<u>2,722,701</u>	<u>2,733,420</u>	<u>10,719</u>	<u>0%</u>
Net Assets				
Invested in Capital Assets				
Net of Related Debt	1,499,909	2,730,713	1,230,804	82%
Restricted	502,861	665,206	162,345	32%
Unrestricted	<u>(1,307,365)</u>	<u>(1,605,985)</u>	<u>(298,620)</u>	<u>23%</u>
Total Net Assets	<u>\$ 695,405</u>	<u>\$ 1,789,934</u>	<u>\$ 1,094,529</u>	<u>157%</u>
<u>BUSINESS-TYPE ACTIVITIES</u>	<u>2004</u>	<u>2005</u>	<u>Amount Difference</u>	<u>Percent Difference</u>
Current Assets	\$1,409,959	\$ 2,485,295	\$1,075,336	76%
Noncurrent Assets	<u>12,857,760</u>	<u>13,722,693</u>	<u>864,933</u>	<u>7%</u>
Total Assets	<u>14,267,719</u>	<u>16,207,988</u>	<u>1,940,269</u>	<u>14%</u>
Current Liabilities	63,838	124,808	60,970	96%
Long-Term Liabilities	<u>4,471,029</u>	<u>5,698,266</u>	<u>1,227,237</u>	<u>27%</u>
Total Liabilities	<u>4,534,867</u>	<u>5,823,074</u>	<u>1,288,207</u>	<u>28%</u>
Net Assets				
Invested in Capital Assets				
Net of Related Debt	8,074,103	7,753,292	(320,811)	-4%
Restricted	-	1,018,933	1,018,933	100%
Unrestricted	<u>1,658,749</u>	<u>1,585,289</u>	<u>(73,460)</u>	<u>-4%</u>
Total Net Assets	<u>\$9,732,852</u>	<u>\$ 10,357,514</u>	<u>\$ 624,662</u>	<u>6%</u>

City of Williamston, Michigan**Management's Discussion and Analysis
Fiscal Year Ended June 30, 2005**

The City's combined net assets for both governmental and business-type activities total \$12.1 million for fiscal year 2005.

The following tables of condensed financial information were derived from the government-wide Statement of Activities and reflect how the City of Williamston and its component units net assets changed during the fiscal year, as compared to the prior fiscal year.

<u>GOVERNMENTAL ACTIVITIES</u>	<u>2004</u>	<u>2005</u>	<u>Amount Difference</u>	<u>Percent Difference</u>
Revenue				
Program Revenue				
Charges for Services	\$ 190,487	\$ 212,999	\$ 22,512	12%
Operating Grants and Contributions	761	213,926	213,165	28011%
Capital Grants and Contributions	543,054	955,862	412,808	76%
General Revenue				
Property Taxes	1,463,436	1,563,311	99,875	7%
State Shared Revenue	329,221	324,428	(4,793)	-1%
Unrestricted Investment Earnings	2,436	5,454	3,018	124%
Special Item--Gain or (Loss) on Disposal of Capital Assets	69,327	(222,571)	(291,898)	-421%
Total Revenue	<u>2,598,722</u>	<u>3,053,409</u>	<u>454,687</u>	<u>17%</u>
Expenses				
General Government	680,547	722,263	41,716	6%
Public Safety	504,202	605,619	101,417	20%
Public Works	544,568	582,190	37,622	7%
Community and Economic Development	91,685	114,020	22,335	24%
Recreation and Culture	50,600	75,395	24,795	49%
Interest on Long-Term Debt	76,775	82,037	5,262	7%
Total Expenses	<u>1,948,377</u>	<u>2,181,524</u>	<u>233,147</u>	<u>12%</u>
Increase (Decrease) in Net Assets Before Transfers	650,345	871,885	221,540	34%
Transfers	<u>236,070</u>	<u>222,644</u>	<u>(13,426)</u>	<u>-6%</u>
Change in Net Assets	886,415	1,094,529	208,114	23%
Net Assets--Beginning of Year	<u>(191,010)</u>	<u>695,405</u>	<u>886,415</u>	<u>-464%</u>
Net Assets--End of Year	<u>\$ 695,405</u>	<u>\$1,789,934</u>	<u>\$1,094,529</u>	<u>157%</u>

City of Williamston, Michigan**Management's Discussion and Analysis
Fiscal Year Ended June 30, 2005**

<u>BUSINESS-TYPE ACTIVITIES</u>	<u>2004</u>	<u>2005</u>	<u>Amount Difference</u>	<u>Percent Difference</u>
Revenue				
Program Revenue				
Charges for Services	\$ 1,263,269	\$ 1,533,724	\$ 270,455	21%
Operating Grants and Contributions		29,738	29,738	100%
Capital Grants and Contributions	630,330	572,360	(57,970)	-9%
General Revenue				
Unrestricted Investment Earnings	<u>12,067</u>	<u>29,600</u>	<u>17,533</u>	<u>145%</u>
Total Revenue	<u>1,905,666</u>	<u>2,165,422</u>	<u>259,756</u>	<u>14%</u>
Expenses				
Water and Sewer	<u>1,366,256</u>	<u>1,481,406</u>	<u>115,150</u>	<u>8%</u>
Total Expenses	<u>1,366,256</u>	<u>1,481,406</u>	<u>115,150</u>	<u>8%</u>
Increase (Decrease) in Net Assets				
Before Transfers	539,410	684,016	144,606	27%
Transfers	<u>(57,565)</u>	<u>(59,354)</u>	<u>(1,789)</u>	<u>3%</u>
Change in Net Assets	481,845	624,662	142,817	30%
Net Assets--Beginning of Year	<u>9,251,007</u>	<u>9,732,852</u>	<u>481,845</u>	<u>5%</u>
Net Assets--End of Year	<u>\$ 9,732,852</u>	<u>\$ 10,357,514</u>	<u>\$ 624,662</u>	<u>6%</u>

City of Williamston, Michigan

**Management's Discussion and Analysis
Fiscal Year Ended June 30, 2005**

<u>COMPONENT UNITS</u>	<u>2004</u>	<u>2005</u>	<u>Amount Difference</u>	<u>Percent Difference</u>
Revenue				
Program Revenue				
Charges for Services	\$ 68,365	\$ 69,737	\$ 1,372	2%
Operating Grants and Contributions	17,561	8,468	(9,093)	-52%
Capital Grants and Contributions	445,741	44,330	(401,411)	-90%
General Revenue				
Property Taxes	354,673	406,226	51,553	15%
Refunds		52,491	52,491	100%
Special Item--Gain on Disposal of Capital Assets	14,943	3,178	(11,765)	-79%
Total Revenue	<u>901,283</u>	<u>584,430</u>	<u>(316,853)</u>	<u>-35%</u>
Expenses				
Economic Development Corporation	63,528	116,697	53,169	84%
Tax Increment Finance Authority 2A	3,542	119,116	115,574	3263%
Tax Increment Finance Authority 2B	62,541	24,709	(37,832)	-60%
Downtown Development Authority	<u>262,436</u>	<u>274,320</u>	<u>11,884</u>	<u>5%</u>
Total Expenses	<u>392,047</u>	<u>534,842</u>	<u>142,795</u>	<u>36%</u>
Increase (Decrease) in Net Assets Before Transfers	509,236	49,588	(459,648)	-90%
Transfers	<u>(178,505)</u>	<u>(163,290)</u>	<u>15,215</u>	<u>-9%</u>
Change in Net Assets	330,731	(113,702)	(444,433)	-134%
Net Assets--Beginning of Year	(100,315)	230,416	330,731	-330%
Restatement to Beginning Net Assets	<u></u>	<u>277,941</u>	<u>277,941</u>	<u>-100%</u>
Net Assets--End of Year	<u>\$ 230,416</u>	<u>\$ 394,655</u>	<u>\$ 164,239</u>	<u>71%</u>

Budgetary Highlights

The City of Williamston's budget is a dynamic document. Although adopted in June (prior to the start of the fiscal year), the budget is frequently amended during the course of the fiscal year to reflect changing operational demands. The Treasurer submits a budget statement to the Council each month.

Decreases in the General Fund balance were budgeted in anticipation of the Putnam Street Bridge project, which will be completed in fiscal year 2006.

General Fund expenditures were approximately \$100,000 less than anticipated due to fiscal restraint and cost-saving measures.

The Sewer Fund included \$50,000 for purchase of sewer televising equipment used to identify sources of storm water infiltration to the sanitary sewer system. This purchase will eliminate the need to subcontract sewer inspection activities, resulting in a long-term cost savings. The identification and elimination of storm water infiltration will reduce wear and tear on sanitary sewer pumps and increase available capacity at the wastewater treatment plant.

The Water Fund included \$450,000 for water main construction. A portion of this was utilized for replacement of the Church Street water main. The remaining amount will be used for the 2005 water system improvements, including construction of a water main from well #9 (new) to the distribution system and replacement of the water main from the existing wells to Putnam Street.

Economic Factors and Next Year's Budgets and Rates

The State of Michigan continues to experience budgetary problems, which could impact future state shared revenue payments. Escalating fuel costs could affect tourism, reducing State sales tax revenues. Fuel costs are also a major factor in increasing costs to provide City services, such as snow removal, leaf/branch collection, and police patrols.

Sewer rates increased 2.7% based on a cost of service study commissioned by the City Council. Overall water rates remained flat, with a slight reduction in the readiness-to-serve fee for residential customers in order to help control costs for low-volume users.

The police labor contract expired on July 1, 2005. A new contract is in mediation and back pay may be an issue. The Fiscal Year 2006 Budget assumes an increase in wages for employees covered by this contract.

An increase of 9.4% in health care costs effective January 1, 2006 will significantly affect the employee fringe benefit rate for Fiscal Year 2006.

Contacting the City of Williamston

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City of Williamston's finances and to demonstrate the accountability for the money it receives. If there are questions about this report, or a need for additional information, contact the City of Williamston Treasurer's Office at (517) 655-2774.

CITY OF WILLIAMSTON
GOVERNMENT-WIDE STATEMENT OF NET ASSETS
June 30, 2005

EXHIBIT A

	PRIMARY GOVERNMENT			Major Component Units
	Governmental Activities	Business-Type Activities	Total	
<u>ASSETS</u>				
Current Assets				
Cash and Cash Equivalents	\$ 503,097	\$ 873,263	\$ 1,376,360	\$ 138,863
Investments	545,610	727,141	1,272,751	589,619
Receivables (Net)				
Accounts	1,115	246,123	247,238	100,000
Assessments	1,398		1,398	
Due From Other Governmental Units			-	33,723
Due From Other Funds--Primary Government			-	27,400
Due From Other Funds--Fiduciary Fund	6,853		6,853	
Due From Other Funds--Component Units	65,546		65,546	
Internal Balances	380,165	(380,165)	-	
Due From State	137,881		137,881	
Prepaid Expense	34,056		34,056	
Total Current Assets	1,675,721	1,466,362	3,142,083	889,605
Noncurrent Assets				
Restricted Cash		1,018,933	1,018,933	6,839
Special Assessments Receivable		199,947	199,947	-
Deferred Charge--Bond Issuance Cost		83,204	83,204	-
Capital Assets--Net of Accumulated Depreciation	2,847,633	13,439,542	16,287,175	2,270,394
Total Noncurrent Assets	2,847,633	14,741,626	17,589,259	2,277,233
Total Assets	4,523,354	16,207,988	20,731,342	3,166,838

CITY OF WILLIAMSTON
GOVERNMENT-WIDE STATEMENT OF NET ASSETS
June 30, 2005

EXHIBIT A
(CONTINUED)

	PRIMARY GOVERNMENT			Major Component Units
	Governmental Activities	Business-Type Activities	Total	
<u>LIABILITIES</u>				
Current Liabilities				
Accounts Payable	42,718	24,347	67,065	4,054
Due to Other Funds--Primary Government			-	65,546
Due to Other Funds--Component Units		27,400	27,400	
Accrued Interest Payable		95,888	95,888	
Accrued Liabilities	14,347	4,573	18,920	73
Total Current Liabilities	57,065	152,208	209,273	69,673
Noncurrent Liabilities				
Customer Deposits Payable	74,264	9,558	83,822	
Bonds Payable--Due Within One Year	40,000	135,000	175,000	80,000
Bonds Payable--Due in More Than One year	1,560,000	5,551,250	7,111,250	2,160,000
Notes Payable--Due Within One Year			-	39,148
Notes Payable--Due in More Than One year			-	423,362
Special Assessments Payable--Due Within One Year	49,162		49,162	
Special Assessments Payable--Due in More Than One Year	786,589		786,589	
Capital Lease Payable--Due Within One Year	37,518		37,518	
Capital Lease Payable--Due in More Than One Year	79,402		79,402	
Vested Employee Benefits Payable	49,420	2,458	51,878	
Total Noncurrent Liabilities	2,676,355	5,698,266	8,374,621	2,702,510
Total Liabilities	2,733,420	5,850,474	8,583,894	2,772,183
<u>NET ASSETS</u>				
Investment in Capital Assets--Net of Related Debt	2,730,713	7,753,292	10,484,005	1,512,884
Restricted for				
Debt Service	19,105		19,105	
Major and Local Streets	637,966		637,966	
Building Permits	8,135		8,135	
Economic Development Programs			-	32,216
Downtown Development Activities			-	(1,755,741)
Tax Increment Finance Plans			-	605,296
Sewer and Water Improvements		1,018,933	1,018,933	
Unrestricted	(1,605,985)	1,585,289	(20,696)	
Total Net Assets	\$ 1,789,934	\$ 10,357,514	\$ 12,147,448	\$ 394,655

The Notes to Financial Statements are an integral part of this statement.

CITY OF WILLIAMSTON
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2005

EXHIBIT B

<u>Functions/Programs</u>	PROGRAM REVENUES			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities				
General Government	\$ 722,263	\$ 44,546		
Public Safety	605,619	74,094	\$ 1,586	
Public Works	582,190	94,359	212,128	\$ 956,074
Community and Economic Development	114,020			
Recreation and Culture	75,395			
Interest on Long-Term Debt	82,037			
Total Governmental Activities	2,181,524	212,999	213,714	956,074
Business-Type Activities				
Sewer	1,022,802	852,237	29,738	287,360
Water	458,604	681,487	-	285,000
Total Business-Type Activities	1,481,406	1,533,724	29,738	572,360
Total Primary Government	\$ 3,662,930	\$ 1,746,723	\$ 243,452	\$ 1,528,434
Component Units				
Economic Development Corporation	\$ 116,697	\$ 69,737	\$ 270	-
Tax Increment Finance Authority 2A	119,116	-	2,333	-
Tax Increment Finance Authority 2B	24,709	-	5,401	-
Downtown Development Authority	274,320		463	\$ 44,330
Total Component Units	\$ 534,842	\$ 69,737	\$ 8,467	\$ 44,330

CITY OF WILLIAMSTON
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2005

EXHIBIT B
(CONTINUED)

NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS			
<u>Functions/Programs</u>	PRIMARY GOVERNMENT		
	Governmental Activities	Business-Type Activities	Major Component Units
Primary Government			
Governmental Activities			
General Government	\$ (677,717)		\$ (677,717)
Public Safety	(529,939)		(529,939)
Public Works	680,371		680,371
Community and Economic Development	(114,020)		(114,020)
Recreation and Culture	(75,395)		(75,395)
Interest on Long-Term Debt	(82,037)		(82,037)
Total Governmental Activities	(798,737)	\$ -	(798,737)
Business-Type Activities			
Sewer		146,533	146,533
Water		507,883	507,883
Total Business-Type Activities	-	654,416	654,416
Total Primary Government	(798,737)	654,416	(144,321)
Component Units			
Economic Development Corporation			\$ (46,690)
Tax Increment Finance Authority 2A			(116,783)
Tax Increment Finance Authority 2B			(19,308)
Downtown Development Authority			(229,527)
Total Component Units	\$ -	\$ -	\$ (412,308)
General Revenues			
Property Taxes	\$ 1,563,311		\$ 1,563,311
State-Shared Revenues	324,428		324,428
Unrestricted Investment Earnings	5,454	\$ 29,600	35,054
Refunds			-
Special Item--Gain on Disposal of Capital Assets	(222,571)		(222,571)
Transfers			
Transfer In From Primary Government	82,144	9,500	91,644
Transfer In From Component Units	150,000	13,290	163,290
Transfer Out From Primary	(9,500)	(82,144)	(91,644)
Total General Revenues--Special Items and Transfers	1,893,266	(29,754)	1,863,512
Change in Net Assets	1,094,529	624,662	1,719,191
Net Assets--Beginning	695,405	9,732,852	10,428,257
Restatement to Beginning of Year (Note F)			277,941
Restated Net Assets--Beginning	695,405	9,732,852	10,428,257
Net Assets--Ending	\$ 1,789,934	\$ 10,357,514	\$ 12,147,448

The Notes to Financial Statements are an integral part of this statement.

**CITY OF WILLIAMSTON
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2005**

EXHIBIT C

MAJOR GOVERNMENTAL FUNDS					
	General Fund	Major Street Fund	Local Street Fund	Non-Major Governmental Funds	Total Governmental Funds
<u>ASSETS</u>					
Cash and Cash Equivalents	\$ 213,824	\$ 190,459	\$ 98,814	-	\$ 503,097
Investments	463,196	63,590	18,824	-	545,610
Receivables					
Accounts	1,090			\$ 25	1,115
Special Assessments	1,398				1,398
Due From Other Funds--Primary Government	332,567	235,391		32,012	599,970
Due From Other Funds--Component Units	45,679	19,867			65,546
Due From State	103,987	25,554	8,340	-	137,881
Prepaid Expenses	34,056				34,056
Total Assets	<u>\$ 1,195,797</u>	<u>\$ 534,861</u>	<u>\$ 125,978</u>	<u>\$ 32,037</u>	<u>\$ 1,888,673</u>
<u>LIABILITIES AND FUND EQUITY</u>					
Liabilities					
Accounts Payable	\$ 23,130	\$ 14,878	\$ 269	\$ 4,441	\$ 42,718
Due to Other Funds--Primary Government	205,428		7,524	-	212,952
Accrued Liabilities	13,789	101	101	356	14,347
Escrow Deposits Payable	74,264				74,264
Deferred Revenue	1,398				1,398
Total Liabilities	<u>318,009</u>	<u>14,979</u>	<u>7,894</u>	<u>4,797</u>	<u>345,679</u>
Fund Balances					
Reserved for					
Debt Service				19,105	19,105
Major and Local Streets		519,882	118,084	-	637,966
Building and Zoning				8,135	8,135
Unreserved--Undesignated	877,788				877,788
Total Fund Equity	<u>877,788</u>	<u>519,882</u>	<u>118,084</u>	<u>27,240</u>	<u>1,542,994</u>
Total Liabilities and Fund Equity	<u>\$ 1,195,797</u>	<u>\$ 534,861</u>	<u>\$ 125,978</u>	<u>\$ 32,037</u>	<u>\$ 1,888,673</u>

The Notes to Financial Statements are an integral part of this statement.

CITY OF WILLIAMSTON
RECONCILIATION OF FUND BALANCES ON
THE BALANCE SHEET FOR GOVERNMENTAL
FUNDS TO NET ASSETS OF GOVERNMENTAL
ACTIVITIES ON THE STATEMENT OF NET ASSETS
June 30, 2005

EXHIBIT C-1

Fund Balances--Total Governmental Funds	\$ 1,542,994
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Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Add--Capital Assets	3,938,528
Deduct--Accumulated Depreciation	<u>(1,090,895)</u>
Deduct--Disposals	

Net Capital Asset Addition	<u>2,847,633</u>
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Revenues that do not provide current financial resources are not reported as revenue in the funds.	1,398
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Certain liabilities, such as compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds.

Deduct--Long-Term Debt	(2,552,671)
Deduct--Compensated Absences and Other Long-Term Liabilities	<u>(49,420)</u>

Nets Assets of Governmental Activities	<u><u>\$ 1,789,934</u></u>
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The Notes to Financial Statements are an integral part of this statement.

CITY OF WILLIAMSTON
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2005

EXHIBIT D

	MAJOR GOVERNMENTAL FUNDS				
	General Fund	Major Street Fund	Local Street Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues					
Taxes and Penalties	\$ 1,563,311				\$ 1,563,311
Licenses and Permits	19,231			\$ 47,661	66,892
Federal Grants		\$ 527,390			527,390
State Grants	326,014	256,876	\$ 51,554		634,444
Charges for Services	18,618			6,304	24,922
Fines and Forfeits	8,802				8,802
Interest and Rentals	92,091	1,762	821		94,674
Other Revenue	89,063	212	329,587		418,862
Total Revenues	2,117,130	786,240	381,962	53,965	3,339,297
Expenditures					
Current					
General Government	702,977				702,977
Public Safety	501,090			75,824	576,914
Public Works	384,844	852,160	375,257		1,612,261
Community and Economic Development	113,524				113,524
Recreation and Cultural	75,395				75,395
Capital Outlay	238,493				238,493
Debt Service					
Principal	36,134			25,000	61,134
Interest and Fiscal Fees	5,862			76,175	82,037
Total Expenditures	2,058,319	852,160	375,257	176,999	3,462,735
Excess of Revenues Over (Under) Expenditures	58,811	(65,920)	6,705	(123,034)	(123,438)
Other Financing Sources (Uses)					
Interfund Transfers In					
Primary Government	92,544	265,000		52,465	410,009
Component Units	90,000			60,000	150,000
Interfund Transfers (Out)--Primary Government	(289,500)	(5,400)	(42,465)		(337,365)
Total Other Financing Sources (Uses)	(106,956)	259,600	(42,465)	112,465	222,644
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(48,145)	193,680	(35,760)	(10,569)	99,206
Fund Balance--July 1, 2004	925,933	326,202	153,844	37,809	1,443,788
Fund Balance--June 30, 2005	\$ 877,788	\$ 519,882	\$ 118,084	\$ 27,240	\$ 1,542,994

The Notes to Financial Statements are an integral part of this statement.

**CITY OF WILLIAMSTON
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGE IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2005**

EXHIBIT D-1

Net Change in Fund Balances--Total Governmental Funds \$ 99,206

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the costs of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Add--Capital Outlay	1,390,523
Deduct--Depreciation Expense	(160,041)
Deduct--Capital Asset Disposal	(285,813)

Revenues earned but not available for current resources are not reported in the funds.

Sidewalk Special Assessments	(75)
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Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.

Add--Principal Payments on Long-Term Liabilities	110,296
Subtract additional correction of special assessments payable	(49,321)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the funds.

(10,246)

Change in Net Assets of Governmental Activities

\$ 1,094,529

The Notes to Financial Statements are an integral part of this statement.

CITY OF WILLIAMSTON
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2005

EXHIBIT E

	BUSINESS-TYPE ACTIVITIES		Total Enterprise Funds
	Sewer	Water	
<u>ASSETS</u>			
Current Assets			
Cash and Cash Equivalents	\$ 177,628	\$ 695,635	\$ 873,263
Investments	672,916	54,225	727,141
Customer Accounts Receivable	132,817	113,306	246,123
Total Current Assets	983,361	863,166	1,846,527
Noncurrent Assets			
Restricted Cash	90,323	928,610	1,018,933
Special Assessments Receivable	199,947		199,947
Deferred Charge--Bond Issuance Cost	83,204		83,204
Capital Assets--Net of Accumulated Depreciation	10,351,575	3,087,967	13,439,542
Total Noncurrent Assets	10,725,049	4,016,577	14,741,626
Total Assets	11,708,410	4,879,743	16,588,153
<u>LIABILITIES</u>			
Current Liabilities			
Accounts Payable	1,544	22,803	24,347
Due to Other Funds--Primary Government	26,801	353,364	380,165
Due to Other Funds--Component Units	27,400		27,400
Accrued Interest Payable	79,770	16,118	95,888
Accrued Liabilities	2,334	2,239	4,573
Total Current Liabilities	137,849	394,524	532,373
Noncurrent Liabilities			
Customer Deposits Payable		9,558	9,558
Bonds Payable--Due Within One Year	110,000	25,000	135,000
Bonds Payable--Net of Unamortized Discounts Due in More Than One Year	4,126,250	1,425,000	5,551,250
Vested Employee Benefits Payable	2,458		2,458
Total Noncurrent Liabilities	4,238,708	1,459,558	5,698,266
Total Liabilities	4,376,557	1,854,082	6,230,639
<u>NET ASSETS</u>			
Invested in Capital Assets--Net of Related Debt	6,115,325	1,637,967	7,753,292
Restricted for Sewer and Water Improvements	90,323	928,610	1,018,933
Unrestricted	1,126,205	459,084	1,585,289
Total Net Assets	\$ 7,331,853	\$ 3,025,661	\$ 10,357,514

The Notes to Financial Statements are an integral part of this statement.

CITY OF WILLIAMSTON
STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN NET ASSETS--ENTERPRISE FUNDS
For the Year Ended June 30, 2005

EXHIBIT F

	BUSINESS-TYPE ACTIVITIES		Total Enterprise Funds
	Sewer	Water	
Operating Revenues			
Water Sales		\$ 667,908	\$ 667,908
Sewage Disposal Services	\$ 835,262		835,262
Interest on Special Assessments	16,975		16,975
Other		13,579	13,579
Total Operating Revenues	852,237	681,487	1,533,724
Operating Expenses			
Salaries and Wages	156,565	83,156	239,721
Fringe Benefits	61,543	32,932	94,475
Contractual Services	77,346	88,807	166,153
Equipment Repair and Maintenance	22,564	17,333	39,897
Utilities	69,962	16,071	86,033
Insurance	9,406	4,485	13,891
Other Supplies and Expenses	62,667	120,031	182,698
Depreciation	299,524	77,444	376,968
Total Operating Expenses	759,577	440,259	1,199,836
Operating Income (Loss)	92,660	241,228	333,888
Nonoperating Revenues (Expenses)			
State Grant--River Bank Stabilization	29,738		29,738
Interest and Investment Revenue	17,743	11,857	29,600
Interest Expense	(248,730)	(18,345)	(267,075)
Bond Amortization Expense	(14,495)		(14,495)
Total Nonoperating Revenues (Expenses)	(215,744)	(6,488)	(222,232)
Income (Loss) Before Contributions and Transfers	(123,084)	234,740	111,656
Capital Contributions	287,360	285,000	572,360
Interfund Transfers			
Transfers In	80,225	17,800	98,025
Transfers (Out)	(52,334)	(105,045)	(157,379)
Change in Net Assets	192,167	432,495	624,662
Total Net Assets--July 1, 2004	7,139,686	2,593,166	9,732,852
Total Net Assets--June 30, 2005	\$ 7,331,853	\$ 3,025,661	\$ 10,357,514

The Notes to Financial Statements are an integral part of this statement.

CITY OF WILLIAMSTON
STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
For the Year Ended June 30, 2005

EXHIBIT G

	BUSINESS-TYPE ACTIVITIES		
	Sewer Fund	Water Fund	Total
Cash Flows From Operating Activities			
Charges for Services	\$ 810,477	\$ 633,812	\$ 1,444,289
Miscellaneous	-	13,579	13,579
Goods and Services Purchased	(248,702)	(227,477)	(476,179)
Salaries and Fringes	(226,239)	(116,772)	(343,011)
Net Cash Provided by Operating Activities	335,536	303,142	638,678
Cash Flows From Noncapital Financing Activities			
State Grant--River Bank Stabilization	29,738		
Customer Deposits		1,000	1,000
Operating Transfers In From Other Funds	80,225	17,800	98,025
Operating Transfers (Out) to Other Funds	(52,334)	(105,045)	(157,379)
Due to Other Funds	(102,172)	327,934	225,762
Due to Component Units	27,400		27,400
Net Cash Flows From Noncapital Financing Activities	(46,881)	241,689	194,808
Cash Flows From Capital and Related Financing Activities			
Collection of Customer Assessments	43,751		43,751
Acquisition of Capital Assets	(336,794)	(974,858)	(1,311,652)
Capital Contributions	287,360	285,000	572,360
Principal Paid on Debt	(155,505)	(40,000)	(195,505)
Interest Paid on Debt	(179,827)	(2,476)	(182,303)
Bond Amortization Expense	(14,495)	-	(14,495)
Bond Issuance	-	1,450,000	1,450,000
Net Cash Provided (Used) by Capital and Related Financing Activities	(355,510)	717,666	362,156
Cash Flows From Investing Activities			
Interest on Cash Equivalents	17,743	11,857	29,600
Sale (Purchase) of Investments	141,334	(581)	140,753
Net Cash Provided by Investing Activities	159,077	11,276	170,353
Net Increase in Cash and Cash Equivalents	92,222	1,273,773	1,365,995
Cash and Cash Equivalents at Beginning of the Year	175,729	350,472	526,201
Cash and Cash Equivalents at End of the Year	\$ 267,951	\$ 1,624,245	\$ 1,892,196
Reconciliation of Operating Income to Net Cash Provided by Operating Activities			
Operating Income (Loss)	\$ 92,660	\$ 241,228	\$ 333,888
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities			
Depreciation	299,524	77,444	376,968
Changes in Assets and Liabilities			
Decrease (Increase) in Accounts Receivable	(41,760)	(34,096)	(75,856)
Increase (Decrease) in Accounts Payable	(6,757)	19,250	12,493
Increase (Decrease) in Accrued Liabilities	(8,131)	(684)	(8,815)
Net Cash Provided by Operating Activities	\$ 335,536	\$ 303,142	\$ 638,678

The Notes to Financial Statements are an integral part of this statement.

**CITY OF WILLIAMSTON
STATEMENT OF NET ASSETS
FIDUCIARY FUNDS
June 30, 2005**

EXHIBIT H

	<u>Agency Fund</u>
<u>ASSETS</u>	
Cash	<u>\$ 23,188</u>
Total Assets	<u><u>\$ 23,188</u></u>
<u>LIABILITIES AND FUND BALANCE</u>	
Liabilities	
Due to Other Funds--Primary Government	\$ 6,853
Due to Other Governmental Units	<u>16,335</u>
Total Liabilities	<u><u>\$ 23,188</u></u>

The Notes to Financial Statements are an integral part of this statement.

CITY OF WILLIAMSTON
COMBINING STATEMENT OF NET ASSETS
MAJOR COMPONENT UNITS
June 30, 2005

EXHIBIT I

	Economic Development Corporation	Tax Increment Finance Authority 2A	Tax Increment Finance Authority 2B	Downtown Development Authority	Total
<u>ASSETS</u>					
Current Assets					
Cash	\$ 46,479	\$ 5,407	\$ 34,425	\$ 52,552	\$ 138,863
Investments	9,955	164,438	404,861	10,365	589,619
Accounts Receivable	100,000				100,000
Due From Other Governmental Units				33,723	33,723
Due From Other Funds--Primary Government				27,400	27,400
Total Current Assets	156,434	169,845	439,286	124,040	889,605
Noncurrent Assets					
Restricted Cash				6,839	6,839
Capital Assets (Net of Accumulated Depreciation)	886,120	116,887	220,936	1,046,451	2,270,394
Total Noncurrent Assets	886,120	116,887	220,936	1,053,290	2,277,233
Total Assets	1,042,554	286,732	660,222	1,177,330	3,166,838
<u>LIABILITIES</u>					
Current Liabilities					
Accounts Payable	1,050	125	1,084	1,795	4,054
Accrued Liabilities				73	73
Due to Other Funds--Primary Government	23,168	1,109	1,517	39,752	65,546
Total Current Liabilities	24,218	1,234	2,601	41,620	69,673
Noncurrent Liabilities					
Bonds Payable--Due Within One Year				80,000	80,000
Bonds Payable--Due in More Than One Year				2,160,000	2,160,000
Notes Payable--Due Within One Year	39,148				39,148
Notes Payable--Due in More Than One Year	423,362				423,362
Total Noncurrent Liabilities	462,510	-	-	2,240,000	2,702,510
Total Liabilities	486,728	1,234	2,601	2,281,620	2,772,183
<u>NET ASSETS</u>					
Invested in Capital Assets--Net of Related Debt Restricted for	523,610	116,887	220,936	651,451	1,512,884
Economic Development Programs	32,216				32,216
Downtown Development Plan				(1,755,741)	(1,755,741)
Tax Increment Finance Plans		168,611	436,685		605,296
Total Net Assets	\$ 555,826	\$ 285,498	\$ 657,621	\$ (1,104,290)	\$ 394,655

The Notes to Financial Statements are an integral part of this statement.

CITY OF WILLIAMSTON
COMBINING STATEMENT OF ACTIVITIES
MAJOR COMPONENT UNITS
Year Ended June 30, 2005

EXHIBIT J

Functions/Programs	PROGRAM REVENUES				NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS				
	Expenses	Charge for Services	Operating Grants and Contributions	Capital Grants and Contributions	Economic Development Corporation	Tax Increment Finance Authority 2A	Tax Increment Finance Authority 2B	Downtown Development Authority	Total
Economic Development Corporation									
Community and Economic Development	\$ 81,292	\$ 69,737	\$ 270		\$ (11,285)				\$ (11,285)
Interest on Related Debt	35,405				(35,405)				(35,405)
Total Economic Development Corporation	116,697	69,737	270	\$ -	(46,690)	\$ -	\$ -	\$ -	(46,690)
Tax Increment Finance Authority 2A									
Community and Economic Development	119,116		2,333			(116,783)			(116,783)
Interest on Related Debt						-			-
Total Tax Increment Finance Authority 2A	119,116	-	2,333	-	-	(116,783)	-	-	(116,783)
Tax Increment Finance Authority 2B									
Community and Economic Development	24,709		5,401				(19,308)		(19,308)
Interest on Related Debt	-						-		-
Total Tax Increment Finance Authority 2B	24,709	-	5,401	-	-	-	(19,308)	-	(19,308)
Downtown Development Authority									
Community and Economic Development	157,282		463	44,330				(112,489)	(112,489)
Interest and Other Expenses on Related Debt	117,038							(117,038)	(117,038)
Total Downtown Development Authority	\$ 274,320	\$ -	\$ 463	\$ 44,330	-	-	-	(229,527)	(229,527)
General Revenues									
Property Taxes								406,226	406,226
Refunds							52,491		52,491
Special Item--Gain on Sale of Capital Assets					3,178				3,178
Transfers					(83,000)	(25,290)	(20,000)	(35,000)	(163,290)
Total General Revenues, Special Items and Transfers					(79,822)	(25,290)	32,491	371,226	298,605
Change in Net Assets					(126,512)	(142,073)	13,183	141,699	(113,703)
Net Assets--Beginning of Year					404,397	427,571	644,438	(1,245,989)	230,417
Restatement to Beginning of Year					277,941				277,941
Restated Net Assets--Beginning					682,338	427,571	644,438	(1,245,989)	508,358
Net Assets--End of Year					\$ 555,826	\$ 285,498	\$ 657,621	\$ (1,104,290)	\$ 394,655

The Notes to Financial Statements are an integral part of this statement.

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of Williamston conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the City of Williamston:

Reporting Entity

The City of Williamston encompasses an area of approximately 3.7 square miles and is located approximately 20 miles east of Lansing and 65 miles west of Detroit.

The city was incorporated in 1963 as a home rule city under the council-manager form of government. The city council consists of seven council members who are elected at large. Every two years four council members are elected. The mayor, who is recognized as the chief executive officer of the city, and the mayor pro-tem are elected by the council from among its members. The city manager is the administrative agent of the council and is appointed by the council to serve at its pleasure. All other city administrative officers are appointed by the city manager.

The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. The criteria established by GASB for determining the reporting entity includes oversight responsibility, fiscal dependency and whether the financial statements would be misleading, if data were not included. The component units total is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government (see discussion below for description of each component unit).

DISCRETELY PRESENTED COMPONENT UNITS

Downtown Development Authority

The Downtown Development Authority was created under the provisions of Public Act 197 of 1975, as amended, to correct and prevent deterioration in the downtown district, encourage historical preservation, and to promote economic growth within the downtown district. The authority's governing body, which consists of nine individuals, is selected by the city council. In addition, the authority's budget is subject to approval by the city council.

Economic Development Corporation

The Economic Development Corporation was created under the provisions of Public Act 338 of 1974, as amended, to provide means and methods for the encouragement and assistance of industrial and commercial enterprises in relocating, purchasing, constructing, improving, or expanding within the city so as to provide needed services and facilities of such enterprises to the residents of the city. The corporation's governing body, which consists of nine individuals, is selected by the city council.

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Tax Increment Finance Authorities (2A and 2B)

The Tax Increment Finance Authorities (2A and 2B) were created under the provisions of Public Act 450 of 1980, as amended, to prevent urban deterioration, to encourage development and activity, and to encourage neighborhood revitalization and historic preservation. The authorities' governing body is the same as the Economic Development Corporation that is selected by the city council and consists of nine individuals.

Complete financial statements of the individual component units can be obtained from their respective administrative offices located in city hall:

Administrative Offices

City of Williamston
161 East Grand River Avenue
Williamston, MI 48895

JOINTLY GOVERNED ORGANIZATIONS

The city is a member of the Northeast Ingham Emergency Service Authority (NIESA) which provides emergency services to the residents of Northeast Ingham County. The participating communities provided funding for its operations until December 1998, at which time a millage was levied to provide annual funding. The city is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future. Complete financial statements for the authority can be obtained from the Community Fire Board offices at 627 East Grand River, Williamston, Michigan.

BASIS OF PRESENTATION

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized when it is both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Revenues are recognized in the accounting period in which they become susceptible to accrual, that is, when they become both measurable and available to finance expenditures of the fiscal period. Property taxes, intergovernmental revenue, charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the city.

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The city reports the following major governmental funds:

The General Fund is the city's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Major Street Fund accounts for revenues and expenditures for the construction and maintenance of the major street system.

The Local Street Fund accounts for revenues and expenditures for the construction and maintenance of the local street system.

The city reports the following major proprietary funds:

The Sewer Fund accounts for the revenues and expenses for the operation of the sewer system.

The Water Fund accounts for the revenues and expenses for the operation of the water system.

Private-sector standards of accounting and financial reporting, issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The city has elected to consistently apply all applicable Financial Accounting Standards Board (FASB) pronouncements issued subsequent to November 30, 1989 in accounting and reporting for its proprietary operation.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include: 1) charges to customers or applicants for goods, services, or privileges provided; 2) operating grants and contributions; and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principle ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

When both restricted and unrestricted resources are available for use, it is the city's policy to use restricted resources first, then unrestricted resources as needed.

Deposits and Investments

The cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less from the date of acquisition. The statement of cash flows includes both restricted and unrestricted cash and cash equivalents. Investments are stated at fair value and short-term investments are reported at cost, which approximates fair value. Earnings from investments are allocated to numerous funds as required by Federal regulations, State statutes, and local ordinances.

Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "interfund receivables/payables" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide statements as "internal balances."

Advances between funds are offset by a fund balance reserve account in applicable governmental funds to indicate they are not available for appropriation and are not expendable available financial resources.

Deferred Revenue

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period or for resources that have been received, but not yet earned.

Inventories and Prepaid Items

No inventory is maintained. Payments for supplies are recorded as expenditures at the time of purchase. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

Capital assets for the primary government, component units and enterprise funds, which include property, plant, equipment, infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$1,500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

GASB No. 34 requires major networks and major subsystem of infrastructure assets acquired, donated, constructed, or substantially rehabilitated be reported prospectively. The City of Williamston, beginning with the fiscal year ended June 30, 2004, has capitalized each current year's infrastructure, as required by GASB No. 34, and has reported the infrastructure in the Statement of Net Assets. The city has opted to not retroactively capitalize the major infrastructure assets prior to July 1, 2003, as permitted by GASB No. 34 for phase 3 governments.

Property, plant, equipment and infrastructure are depreciated using the straight-line method over the following useful lives:

Land Improvements	10 to 30 years
Buildings	10 to 50 years
Office Equipment	4 to 10 Years
Machinery and Equipment	7 to 10 years
Vehicles	4 to 7 years
Infrastructure--Roads	8 to 30 years
Infrastructure--Bridges	12 to 50 years

Compensated Absences (Vacation and Sick Leave)

It is the city's policy to permit employees to accumulate earned sick and vacation pay benefits for all of the employees. The liability for unpaid accumulated sick leave is 50% of the time available according to the city's union contracts and personnel policy. All vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported only in governmental funds for employee terminations as of year end.

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Long-Term Obligations

In the government-wide financial statements and proprietary fund type statements, the long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Assets. For new bond issuances after the implementation of GASB Statement No. 34, bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of the following: assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Other Financing Sources (Uses)

The transfers of cash between the various city funds are budgeted but reported separately from revenues and expenditures as operating transfers in or (out), unless they represent temporary advances that are to be repaid, in which case, they are carried as assets and liabilities of the advancing or borrowing funds.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS

NOTE B--STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

Pursuant to statute, prior to the commencement of the fiscal year, the budget is legally enacted through adoption by the city council. Budgets are adopted for the General Fund and Special Revenue Funds as required by statute. Budgets are adopted on a basis consistent with the accounting principles followed in recording transactions. The city's annual budget is adopted on a departmental basis at the activity level. The City Council monitors and amends the budgets as necessary.

Public Act 2 of 1968, as amended, requires the adoption of a balanced budget for general and special revenue funds, as well as budget amendments as needed to prevent actual expenditures from exceeding those provided for in the budget.

The city has not complied with certain provisions of Public Act 2 of 1968, as amended. Expenditures were incurred in excess of the amount appropriated in the amended budget for one activity of the General Fund and one activity of the Local Street Fund as follows:

	<u>Final Amended Budget</u>	<u>Actual</u>	<u>(Unfavorable)</u>
General Fund			
Community and Economic Development Planning Commission	\$ 60,500	\$ 60,574	\$ (74)
Local Street Fund			
Winter Maintenance	22,300	23,564	(1,264)

NOTE C--DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the city to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States Banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS

NOTE C--DEPOSITS AND INVESTMENTS (Continued)

The Williamston City Council has designated three banks for the deposit of city funds. The investment policy adopted by the council in accordance with Public Act 20 of 1943, as amended, has authorized investment in the instruments described in the preceding paragraph. The city's deposits and investment policy are in accordance with statutory authority.

At fiscal year end, the city's deposits and investments were reported in the basic financial statements in the following categories:

	PRIMARY GOVERNMENT			
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Fiduciary Fund</u>	<u>Total Primary Government</u>
Cash and Cash Equivalents	\$ 503,097	\$ 873,263	\$23,188	\$1,399,548
Restricted Cash		1,018,933		1,018,933
Investments	<u>545,610</u>	<u>727,141</u>		<u>1,272,751</u>
Total	<u><u>\$1,048,707</u></u>	<u><u>\$2,619,337</u></u>	<u><u>\$23,188</u></u>	<u><u>\$3,691,232</u></u>

The breakdown between deposits and investments is as follows:

	<u>Primary Government</u>	<u>Component Units</u>
Bank Deposits (Checking and Savings Accounts, Certificates of Deposit)	\$ 1,157,355	\$ 6,839
Investments in Securities, Mutual Funds and Similar Vehicles	1,260,496	138,863
Petty Cash and Cash on Hand	<u>630</u>	
Total	<u><u>\$ 2,418,481</u></u>	<u><u>\$ 145,702</u></u>

The bank balance of the primary government's deposits is \$2,472,300, of which \$200,000 is covered by Federal depository insurance. The bank balance of the component units' deposits is \$145,702, of which \$106,839 is covered by Federal depository insurance.

Investments Authorized by the City's Investment Policy

The city's investment policy only authorizes investment in all those that are authorized by law. The city has limited their investments to money markets. The city's investment policy contains provisions intended to limit the city's exposure to interest rate risk, credit risk, and concentration of credit risk.

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS

NOTE C--DEPOSITS AND INVESTMENTS (Continued)

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes, in market interest rates, will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the City manages its exposure to interest rate risk is by participating in two money markets which hold diverse investments that local units of government are authorized by law for direct investment.

As of June 30, 2005, the city had the following investments:

	REPORTED AMOUNT (FAIR VALUE)	
	<u>Primary Government</u>	<u>Component Units</u>
Investments		
Money Market (MM)	\$ 1,949	
Government Operating MM	<u>1,270,802</u>	<u>\$ 589,619</u>
Total Primary Government	<u><u>\$ 1,272,751</u></u>	<u><u>\$ 589,619</u></u>

Concentration of Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Money Market and Government Operating Money Market do not have a rating provided by a nationally recognized statistical rating organization.

The city's investment policy requires assets to be diversified to eliminate the risk of loss resulting from over concentration in a specific maturity, individual financial institution(s) or a specific class of securities.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Michigan law does not contain requirements that would limit the exposure to custodial credit risk for deposits. However, the asset diversification requirements included in the city's investment policy would limit, to some extent, exposure to custodial credit risk for deposits.

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS

NOTE C--DEPOSITS AND INVESTMENTS (Continued)

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Michigan law does not contain legal requirements that would limit the exposure to custodial credit risk for investments. However, the city's investment policy does contain a safekeeping and custody section that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools.

NOTE D--PROPERTY TAXES

Property taxes are levied on each July 1st on the taxable valuation of property located in the city as of the preceding December 31st. The city's property taxes were levied and collectible on July 1, 2004. It is the policy of the City of Williamston to recognize revenue from the current tax levy in the fiscal year when proceeds of this levy are budgeted and made available for the financing of operations.

The 2004 State Equalized Valuation of the city totaled \$124,273,620 and the State Taxable Valuation was \$95,379,762 (net of captured taxes), on which ad valorem taxes levied consisted of 15.5430 mills and raised \$1,481,763 for city operations. This is recorded as revenue in the General Fund, which also includes mobile home specific taxes, penalties, interest and administrative fees, for a total of \$1,563,311 (net of tax tribunal refunds).

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS

NOTE E--RECEIVABLES

Receivables as of year end for the primary government's individual major and nonmajor funds, and component units, including the applicable allowances for uncollectible accounts, are as follows:

PRIMARY GOVERNMENT							
	<u>General Fund</u>	<u>Major Street Fund</u>	<u>Local Street Fund</u>	<u>Sewer Fund</u>	<u>Water Fund</u>	<u>Non-Major Funds</u>	<u>Major Component Units</u>
Taxes							
Special Assessments	\$ 1,398			\$ 199,947			\$ 201,345
Accounts	1,090			132,817	\$ 113,306	\$ 25	\$ 100,000
Due From State	103,987	\$ 25,554	\$ 8,340				137,881
Due From Other Governmental Units							- 33,723
Less: Allowance for Uncollectibles							-
Total	<u>\$ 106,475</u>	<u>\$ 25,554</u>	<u>\$ 8,340</u>	<u>\$ 332,764</u>	<u>\$ 113,306</u>	<u>\$ 25</u>	<u>\$ 586,464</u> <u>\$ 133,723</u>

Receivables--Economic Development Fund (Component Unit)

The account receivable of \$100,000 in the Economic Development Fund is the balance due from the sale of the Industrial Park.

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS

NOTE F--CAPITAL ASSETSPrimary Government

Capital asset activity of the primary government for the current year was as follows:

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets Not Being Depreciated				
Land	\$ 242,350	\$ 130,867		\$ 373,217
Land Improvements	317,395			317,395
Construction in Progress		728,275		728,275
Subtotal	<u>559,745</u>	<u>859,142</u>	<u>\$ -</u>	<u>1,418,887</u>
Capital Assets Being Depreciated				
Land Improvements	257,036			257,036
Buildings	784,727		277,941	506,786
Office Equipment	59,579			59,579
Machinery and Equipment	351,147	67,716	61,108	357,755
Vehicles	567,287	39,909	14,693	592,503
Infrastructure	<u>322,226</u>	<u>423,755</u>		<u>745,981</u>
Subtotal	<u>2,342,002</u>	<u>531,380</u>	<u>353,742</u>	<u>2,519,640</u>
Less Accumulated Depreciation for				
Land Improvements	146,854	11,316		158,170
Buildings	242,940	11,725	44,507	210,158
Office Equipment	43,048	7,459		50,507
Machinery and Equipment	270,669	30,891	8,730	292,830
Vehicles	295,272	82,539	14,693	363,118
Infrastructure	<u>16,111</u>	<u>16,111</u>		<u>16,111</u>
Subtotal	<u>998,783</u>	<u>160,041</u>	<u>67,930</u>	<u>1,090,894</u>
Net Capital Assets Being Depreciated	<u>1,343,219</u>	<u>371,339</u>	<u>285,812</u>	<u>1,428,746</u>
Total Capital Assets--Net of Depreciation	<u>\$ 1,902,964</u>	<u>\$1,230,481</u>	<u>\$ 285,812</u>	<u>\$ 2,847,633</u>

Depreciation expense was charged to programs of the primary government as follows:

	<u>Amount</u>
Governmental Activities	
General Government	\$ 14,600
Public Safety	26,953
Public Works	<u>118,488</u>
Total Depreciation--Governmental Activities	<u>\$160,041</u>

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS

NOTE F--CAPITAL ASSETS (Continued)

<u>Business-Type Activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets Not Being Depreciated				
Land	\$ 436,557			\$ 436,557
Construction in Progress--Water System		\$ 132,942		132,942
Subtotal	436,557	132,942	\$ -	569,499
Capital Assets Being Depreciated				
Water and Sewer System	15,695,185	1,130,675	(3,061)	16,822,799
Equipment	517,927	22,034	(33,797)	506,164
Subtotal	16,213,112	1,152,709	(36,858)	17,328,963
Less: Accumulated Depreciation for				
Water and Sewer System	3,900,482	349,033	(3,061)	4,246,454
Equipment	218,329	27,934	(33,797)	212,466
Subtotal	4,118,811	376,967	(36,858)	4,458,920
Net Capital Assets Being Depreciated	12,094,301	775,742	-	12,870,043
Total Capital Assets--Net of Depreciation	<u>\$ 12,530,858</u>	<u>\$ 908,684</u>	<u>\$ -</u>	<u>\$ 13,439,542</u>

Depreciation expense was charged to business-type programs of the primary government as follows:

Business-Type Funds	
Water	\$ 77,444
Sewer	<u>299,523</u>
Total Business-Type Funds	<u>\$ 376,967</u>

CITY OF WILLIAMSTON
NOTES TO FINANCIAL STATEMENTS

NOTE F--CAPITAL ASSETS (Continued)

Component Units

Capital asset activity of the Economic Development Corporation (EDC) for the current year was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital Assets Not Being Depreciated				
Land	<u>\$ 30,000</u>	<u> </u>	<u> </u>	<u>\$ 30,000</u>
Subtotal	<u>30,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>30,000</u>
Capital Assets Being Depreciated				
Land Improvements	15,510			15,510
Buildings	736,224	* 277,941		1,014,165
Machinery and Equipment	<u>16,943</u>	<u>20,045</u>	<u>16,942</u>	<u>20,046</u>
Subtotal	<u>768,677</u>	<u>297,986</u>	<u>16,942</u>	<u>1,049,721</u>
Less Accumulated Depreciation for				
Land Improvements	3,715	722		4,437
Buildings	127,702	56,451		184,153
Machinery and Equipment	<u>4,236</u>	<u>5,011</u>	<u>4,236</u>	<u>5,011</u>
Subtotal	<u>135,653</u>	<u>62,184</u>	<u>4,236</u>	<u>193,601</u>
Net Capital Assets Being Depreciated	<u>633,024</u>	<u>235,802</u>	<u>12,706</u>	<u>856,120</u>
Total Capital Assets--Net of Depreciation	<u>\$ 663,024</u>	<u>\$ 235,802</u>	<u>\$ 12,706</u>	<u>\$ 886,120</u>

Depreciation expense for the year was \$62,184.

*Public service building improvements of \$277,941 were transferred from governmental activities to the Economic Development Corporation during the fiscal year ended June 30, 2005.

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS

NOTE F--CAPITAL ASSETS (Continued)

Capital asset activity of the Downtown Development Authority (DDA) for the current year was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital Assets Not Being Depreciated				
Land	\$144,093			\$ 144,093
Land Improvements	123,736	\$ 21,217		144,953
Construction in Progress	<u>491,055</u>	<u>72,359</u>		<u>563,414</u>
Subtotal	<u>758,884</u>	<u>93,576</u>	<u>\$ -</u>	<u>852,460</u>
Capital Assets Being Depreciated				
Land Improvements	305,428			305,428
Buildings	155,708			155,708
Machinery and Equipment	<u>14,000</u>			<u>14,000</u>
Subtotal	<u>475,136</u>	<u>-</u>	<u>-</u>	<u>475,136</u>
Less Accumulated Depreciation for				
Land Improvements	206,704	(1,842)		204,862
Buildings	57,834	4,449		62,283
Machinery and Equipment	<u>14,000</u>			<u>14,000</u>
Subtotal	<u>278,538</u>	<u>2,607</u>	<u>-</u>	<u>281,145</u>
Net Capital Assets Being Depreciated	<u>196,598</u>	<u>(2,607)</u>	<u>-</u>	<u>193,991</u>
Total Capital Assets--Net of Depreciation	<u>\$955,482</u>	<u>\$ 90,969</u>	<u>\$ -</u>	<u>\$1,046,451</u>

Depreciation expense for the year was \$18,975, less a \$16,368 correction of the prior year's depreciation, equals net current year depreciation expense of \$2,607. Depreciation significantly decreased due to streetscape construction in progress being depreciated in the prior year but not in the current year, because streetscape construction in progress of \$491,055 that had been classified as land improvements in the FYE June 30, 2004 financial statements, is restated above as construction in progress at July 1, 2004.

CITY OF WILLIAMSTON
NOTES TO FINANCIAL STATEMENTS

NOTE F--CAPITAL ASSETS (Continued)

Capital asset activity of the TIFA 2A for the current year was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital Assets Not Being Depreciated				
Land	<u>\$ 62,871</u>	<u> </u>	<u> </u>	<u>\$ 62,871</u>
Subtotal	<u>62,871</u>	<u>\$ -</u>	<u>\$ -</u>	<u>62,871</u>
Capital Assets Being Depreciated				
Land Improvements	<u> </u>	<u>55,879</u>	<u> </u>	<u>55,879</u>
Subtotal	<u>-</u>	<u>55,879</u>	<u>-</u>	<u>55,879</u>
Less Accumulated Depreciation for Land Improvements	<u>-</u>	<u>1,863</u>	<u> </u>	<u>1,863</u>
Subtotal	<u>-</u>	<u>1,863</u>	<u>-</u>	<u>1,863</u>
Net Capital Assets Being Depreciated	<u>-</u>	<u>54,016</u>	<u>-</u>	<u>54,016</u>
Total Capital Assets--Net of Depreciation	<u>\$ 62,871</u>	<u>\$ 54,016</u>	<u>\$ -</u>	<u>\$116,887</u>

Depreciation expense for the year was \$1,863.

CITY OF WILLIAMSTON
NOTES TO FINANCIAL STATEMENTS

NOTE F--CAPITAL ASSETS (Continued)

Capital asset activity of the TIFA 2B for the current year was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital Assets Not Being Depreciated				
Land	<u>\$112,694</u>	<u> </u>	<u> </u>	<u>\$112,694</u>
Subtotal	<u>112,694</u>	<u>\$ -</u>	<u>\$ -</u>	<u>112,694</u>
Capital Assets Being Depreciated				
Land Improvements	4,491			4,491
Buildings	<u>-</u>	<u>110,157</u>	<u> </u>	<u>110,157</u>
Subtotal	<u>4,491</u>	<u>110,157</u>	<u>-</u>	<u>114,648</u>
Less Accumulated Depreciation for				
Land Improvements	449	449		898
Buildings	<u> </u>	<u>5,508</u>	<u> </u>	<u>5,508</u>
Subtotal	<u>449</u>	<u>5,957</u>	<u>-</u>	<u>6,406</u>
Net Capital Assets Being Depreciated	<u>4,042</u>	<u>104,200</u>	<u> </u>	<u>108,242</u>
Total Capital Assets--Net of Depreciation	<u>\$116,736</u>	<u>\$104,200</u>	<u>\$ -</u>	<u>\$220,936</u>

Depreciation expense for the year was \$5,957.

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS

NOTE G--INTERFUND RECEIVABLES, PAYABLES, ADVANCES AND TRANSFERS

The amounts of the interfund receivables and payables between funds of the primary government and component units are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
<u>Primary Government</u>			
General	\$ 332,567	Local Street Sewer Water Tax Collection--Fudiciary	\$ 7,524 26,801 291,389 6,853
Major Street	235,391	General Water	173,416 61,975
Non-Major Governmental	<u>32,012</u>	General	<u>32,012</u>
Total Primary Government	<u>\$ 599,970</u>		<u>\$599,970</u>
<u>Primary Government</u>		<u>Component Units</u>	
General	\$ 45,679	Economic Development Corporation Tax Increment Finance Authority 2A Tax Increment Finance Authority 2B Downtown Development Authority	\$ 23,168 1,109 1,517 19,885
Major Street	<u>19,867</u>	Downtown Development Authority	<u>19,867</u>
Total Primary Government	<u>\$ 65,546</u>	Total Component Units	<u>\$ 65,546</u>
<u>Component Units</u>		<u>Primary Government</u>	
Downtown Development Authority	<u>\$ 27,400</u>	Sewer Fund	<u>\$ 27,400</u>
Total Component Units	<u>\$ 27,400</u>	Total Primary Government	<u>\$ 27,400</u>

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS

NOTE G--INTERFUND RECEIVABLES, PAYABLES, ADVANCES AND TRANSFERS
(Continued)

The 2005 operating transfers from Exhibits D, F and J can be summarized as follows:

<u>Funds</u>	<u>Transfers In</u>	<u>Funds</u>	<u>Transfers (Out)</u>
<u>Primary Government</u>			
General	\$ 92,544	Local Street	\$ 5,000
		Major Street	5,400
		Sewer	44,034
		Water	38,110
Major Street	265,000	General	289,500
Non-Major Governmental	15,000		
Water	9,500		
Non-Major Governmental	37,465	Local Street	37,465
Sewer	66,935	Water	66,935
Water	8,300	Sewer	8,300
Total Primary Government	<u>494,744</u>		<u>494,744</u>
<u>Primary Government</u>		<u>Component Units</u>	
General	90,000	Economic Development Corporation	23,000
		Tax Increment Finance Authority 2A	12,000
		Tax Increment Finance Authority 2B	20,000
		Downtown Development Authority	35,000
Non-Major Governmental	60,000	Economic Development Corporation	60,000
Sewer	13,290	Tax Increment Finance Authority 2A	13,290
Total Primary Government	<u>163,290</u>	Total Component Units	<u>163,290</u>
Total Reporting Entity	<u><u>\$ 658,034</u></u>		<u><u>\$ 658,034</u></u>

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS

NOTE H--LEASES

Capital Leases--The city has entered into an installment purchase agreement on June 25, 2003 as lessee for financing the purchase of a Vactor sewer cleaner. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payments as of the inception date. The future minimum lease obligations and the net present value is as follows:

Year Ended June 30	
2006	\$ 41,996
2007	41,996
2008	<u>41,996</u>
Total Minimum Lease Payments	<u>125,988</u>
Less: Amount Representing Interest	
2006	4,478
2007	3,041
2008	<u>1,549</u>
Total Amount Representing Interest	<u>9,068</u>
Present Value	<u><u>\$ 116,920</u></u>

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS

NOTE I--LONG-TERM DEBT

The city issues bonds to provide for the acquisition and construction of major capital improvements. General obligation bonds are direct obligations and pledge the full faith and credit of the city. City contractual agreements and installment purchase agreements are also general obligations of the city. Special assessment bonds provide for capital improvements that benefit specific properties, and will be repaid from amounts levied against those properties benefited from the construction. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the city is obligated to provide resources to cover the deficiency until other resources (such as tax sale proceeds or a re-assessment of the district) are received. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service.

Bond and contractual obligation activity can be summarized as follows:

<u>Governmental Activities</u>	<u>Balance 07/01/04</u>	<u>Additions (Reductions)</u>	<u>Balance 06/30/05</u>	<u>Due Within One Year</u>
\$1,395,000, 2002 Series, General Obligation Limited Tax Bonds. Due in 19 annual installments at interest ranging between 4.50% through 5.10% for Tobias/Linn Drain Sewer System at large.	\$ 1,375,000	\$ (25,000)	\$ 1,350,000	\$ 30,000
\$250,000, 2003 Series, Michigan Transportation Fund Bonds, Due in 14 annual installments at interest ranging between 3.00% through 4.35% for major street improvements	250,000	-	250,000	10,000
\$983,236 2002 Special Assessment for Tobias/Linn Road project payable to Ingham County Drain Commission. Due in 20 annual decreasing installments at interest rate of 5.00%.	835,592	49,321 (49,162)	835,751	49,162
Capital Lease Agreement \$195,050. To purchase a Vactor sewer cleaner, payable in 5 years to Vactor Manufacturing, Inc., at an interest rate of 3.83%.	153,054	(36,134)	116,920	37,518
Vested Employee Benefits Payable	<u>39,174</u>	<u>10,246</u>	<u>49,420</u>	
Total Governmental Activities	<u>\$ 2,652,820</u>	<u>\$ (50,729)</u>	<u>\$ 2,602,091</u>	<u>\$ 126,680</u>

The addition of \$49,321 for the Tobias/Linn road project consists of an adjustment to correct the principal balance as the result of a revised amortization schedule.

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS

NOTE I--LONG-TERM DEBT (Continued)

<u>Business-Type Activities</u>	<u>Balance 07/01/04</u>	<u>Additions (Reductions)</u>	<u>Balance 06/30/05</u>	<u>Due Within One Year</u>
\$850,000, 1996 Series, Revenue Bonds (Water and Sewer Improvements), due in annual installments at interest rates between 4% through 5.7%.	\$ 625,000	\$ (40,000)	\$ 585,000	\$ 40,000
\$585,000, 1996 Series, Special Assessment Limited Tax Bonds, due in annual installments at interest rates between 5% through 8% (Net of Amortization of \$15,599).	302,841	(38,440)	264,401	40,000
\$3,700,000, 2001 Series, General Obligation Unlimited Tax Refunding Bonds. Issued 2001 General Obligation Refunding Bonds leaving a balance of \$3,700,000 in 2001. Due in 18 annual installments at interest rates between 3% through 4.7% (Net of Amortization of \$168,151).	3,403,914	(17,065)	3,386,849	30,000
Installment Purchase Agreement dated July 7, 1999, \$161,000. To purchase the Victory Meadows Lift Station, payable in 6 annual installments to Independent Bank at an interest rate of 4.6%.	30,000	(30,000)	-	
Installment Purchase Agreement dated July 7, 1999, \$161,000. To purchase the Forest of Nottingham Lift Station, payable in 6 annual installments to Independent Bank at an interest rate of 4.6%.	30,000	(30,000)	-	
Installment Purchase Agreement \$355,000 To purchase the Wellfield Property, payable in 6 years at an interest rate of 4.6% to Independent Bank.	65,000	(65,000)	-	
\$550,000, 2004 Series, Revenue Bonds (Water Supply System Improvements and Extensions), payable in 20 years at interest rates between 3.20% and 5.00%	-	550,000	550,000	5,000
\$900,000, 2005 Series, Revenue Bonds (Water Supply System Improvements and Extensions), payable in 25 years at interest rates between 3.00% and 5.00%	-	900,000	900,000	20,000
Vested Employee Benefits Payable	5,716	(3,258)	2,458	
Total Business-Type Activities	<u>\$ 4,462,471</u>	<u>\$ 1,226,237</u>	<u>\$ 5,688,708</u>	<u>\$ 135,000</u>

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS

NOTE I--LONG-TERM DEBT (Continued)

<u>Component Unit Activities</u>	<u>Balance 07/01/04</u>	<u>Additions (Reductions)</u>	<u>Balance 06/30/05</u>	<u>Due Within One Year</u>
<u>Downtown Development Authority (DDA)</u>				
\$1,895,000, 1994 Series, Limited Tax General Obligation Downtown Development Bonds. Issued 1999 DDA Refunding Bonds leaving a balance due of \$210,000 in 1999. Due in 6 annual installments at interest rates between 5.6% through 7%.	\$ 40,000	\$ (40,000)	-	
\$1,945,000, 1999 Series, Limited Tax General Obligation Downtown Development Refunding Bonds. Due in 25 annual installments at interest rates ranging between 3.4% through 4.95%.	1,865,000	(20,000)	\$ 1,845,000	\$ 65,000
\$425,000, 1994 Series, Limited Tax General Obligation Downtown Development Bonds. Issued 2004 DDA Refunding Bonds leaving a balance due of \$405,000 in 2004. Due in 20 annual installments at interest rates between 2.0% through 5.0%.	405,000	(10,000)	395,000	15,000
Land Contract \$115,191. To purchase Deer Creek Car Wash property in 5 annual installments at 9.5% interest payable to individuals.	<u>27,398</u>	<u>(27,398)</u>	<u>-</u>	
Total Downtown Development Authority	<u>\$ 2,337,398</u>	<u>\$ (97,398)</u>	<u>\$ 2,240,000</u>	<u>\$ 80,000</u>

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS

NOTE I--LONG-TERM DEBT (Continued)

<u>Economic Development Coporation (EDC)</u>	<u>Balance 07/01/04</u>	<u>Additions (Reductions)</u>	<u>Balance 06/30/05</u>	<u>Due Within One Year</u>
1998 mortgage payable \$684,000. To purchase a parcel of land and certain improvements to house some city offices, payable in monthly installments over a period of 15 years at an interest rate of 5.75%.	\$ 487,791	\$ (487,791)		
Note payable dated September 29,2004 \$490,000 to refinance a 1998 mortgage for the purchase of a parcel of land and certain improvements to house some city offices, payable in monthly installments over a period of 10 years at an interest rate of 5.95% for the first 5 years; and an interest rate of the greater of 5.95% or 2 % over the then-existing rate on five year U.S. Treasury obligations.		490,000 (27,490)	\$ 462,510	\$ 39,148
Total Economic Development Corporation	<u>\$ 487,791</u>	<u>\$ (25,281)</u>	<u>\$ 462,510</u>	<u>\$ 39,148</u>
Total Component Unit Activities	<u>\$2,825,189</u>	<u>\$ (122,679)</u>	<u>\$ 2,702,510</u>	<u>\$ 119,148</u>
Total Reporting Entity Activities	<u>\$9,940,480</u>	<u>\$ 1,052,829</u>	<u>\$10,993,309</u>	<u>\$ 380,828</u>

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS

NOTE I--LONG-TERM DEBT (Continued)

The debt service requirements to maturity for the city's debt obligations outstanding at June 30, 2005 are as follows:

Annual Debt Service Requirements--Governmental ActivitiesGeneral Obligation Limited Tax Bonds, Series 2002

Date of Issue: March 1, 2002

Amount: \$1,395,000

Year	Principal 1-May	Interest		Annual Total
		1-May	1-November	
2005			\$ 32,571	\$ 32,571
2006	\$ 30,000	\$ 32,571	31,896	94,467
2007	35,000	31,896	31,109	98,005
2008	40,000	31,109	30,209	101,318
2009	45,000	30,209	29,196	104,405
2010	50,000	29,196	28,071	107,267
2011	55,000	28,071	26,820	109,891
2012	60,000	26,820	25,455	112,275
2013	65,000	25,455	23,976	114,431
2014	75,000	23,976	22,233	121,209
2015	80,000	22,233	20,333	122,566
2016	90,000	20,333	18,150	128,483
2017	100,000	18,150	15,700	133,850
2018	110,000	15,700	12,978	138,678
2019	120,000	12,978	9,978	142,956
2020	125,000	9,978	6,853	141,831
2021	130,000	6,853	3,570	140,423
2022	140,000	3,570		143,570
Total	<u>\$ 1,350,000</u>	<u>\$369,098</u>	<u>\$ 369,098</u>	<u>\$ 2,088,196</u>

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS

NOTE I--LONG-TERM DEBT (Continued)

2003 Act 175 Michigan Transportation Fund Bonds

Date of Issue: February 1, 2003

Amount: \$250,000

<u>Year</u>	<u>Principal 1-August</u>	<u>Interest</u>		<u>Annual Total</u>
		<u>1-August</u>	<u>1-February</u>	
2005	\$ 10,000	\$ 4,667		\$ 14,667
2006	10,000	4,516	\$ 4,366	18,882
2007	15,000	4,366	4,141	23,507
2008	15,000	4,141	3,916	23,057
2009	15,000	3,916	3,688	22,604
2010	15,000	3,688	3,436	22,124
2011	15,000	3,436	3,170	21,606
2012	20,000	3,170	2,795	25,965
2013	20,000	2,795	2,410	25,205
2014	20,000	2,410	2,010	24,420
2015	20,000	2,010	1,600	23,610
2016	25,000	1,600	1,075	27,675
2017	25,000	1,075	544	26,619
2018	<u>25,000</u>	<u>544</u>		<u>25,544</u>
Total	<u>\$ 250,000</u>	<u>\$ 42,334</u>	<u>\$ 33,151</u>	<u>\$ 325,485</u>

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS

NOTE I--LONG-TERM DEBT (Continued)

2002 Tobias/Linn Road Special Assessment

Date of Issue: November 1, 2002

Amount: \$983,236

<u>Year</u>	<u>Principal November</u>	<u>Interest November</u>	<u>Annual Total</u>
2005	\$ 49,162	\$ 41,788	\$ 90,949
2006	49,162	39,329	88,491
2007	49,162	36,871	86,033
2008	49,162	34,413	83,575
2009	49,162	31,955	81,117
2010	49,162	29,497	78,659
2011	49,162	27,039	76,201
2012	49,162	24,581	73,743
2013	49,162	22,123	71,285
2014	49,162	19,665	68,827
2015	49,162	17,207	66,368
2016	49,162	14,749	63,910
2017	49,162	12,290	61,452
2018	49,162	9,832	58,994
2019	49,162	7,374	56,536
2020	49,162	4,916	54,078
2021	49,162	2,458	51,620
Total	<u>\$835,751</u>	<u>\$376,088</u>	<u>\$1,211,839</u>

Vactor Capital Lease Payable

Date of Issue: June 25, 2003

Amount: \$195,050

<u>Year</u>	<u>Principal 28-July</u>	<u>Interest 28-July</u>	<u>Annual Total</u>
2005	\$ 37,518	\$4,478	\$ 41,996
2006	38,955	3,041	41,996
2007	40,447	1,549	41,996
Total	<u>\$116,920</u>	<u>\$9,068</u>	<u>\$125,988</u>

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS

NOTE I--LONG-TERM DEBT (Continued)

Annual Principal and Interest Requirements--Business-Type Funds

The enterprise funds' annual requirements to pay the principal and interest on the city's direct long-term debt obligations outstanding at June 30, 2005 are as follows:

Revenue Bonds Water/Sewer Improvements, Series 1996 (Sewer Fund)

Date of Issue: February 26, 1996

Amount: \$850,000

Year	Principal 1-March	Interest		Annual Total
		1-March	1-September	
2005			\$ 15,936	\$ 15,936
2006	\$ 40,000	\$ 15,936	14,936	70,872
2007	45,000	14,936	13,789	73,725
2008	45,000	13,789	12,619	71,408
2009	45,000	12,619	11,438	69,057
2010	50,000	11,438	10,100	71,538
2011	50,000	10,100	8,750	68,850
2012	55,000	8,750	7,238	70,988
2013	60,000	7,238	5,558	72,796
2014	60,000	5,558	3,848	69,406
2015	65,000	3,848	1,995	70,843
2016	70,000	1,995		71,995
Total	<u>\$585,000</u>	<u>\$106,207</u>	<u>\$ 106,207</u>	<u>\$ 797,414</u>

1996 Sewer Special Assessment Bonds (Sewer Fund)

Date of Issue: November 1, 1996

Amount: \$585,000

Unamortized Bond Discount at June 30, 2005: \$15,599

Current Year Amortized Cost: \$1,560

Year	Principal 1-November	Interest		Annual Total
		1-May	1-November	
2005	\$ 40,000		\$ 7,200	\$ 47,200
2006	40,000	\$ 6,000	6,000	52,000
2007	40,000	5,000	5,000	50,000
2008	40,000	4,000	4,000	48,000
2009	40,000	3,000	3,000	46,000
2010	40,000	2,000	2,000	44,000
2011	40,000	1,000	1,000	42,000
Total	<u>\$ 280,000</u>	<u>\$21,000</u>	<u>\$ 28,200</u>	<u>\$329,200</u>

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS

NOTE I--LONG-TERM DEBT (Continued)

General Obligation Unlimited Tax Refunding Bonds, Series 2001

Date of Issue: September 27, 2001

Amount: \$3,700,000

Unamortized Bond Discount at June 30, 2005: \$168,151

Deferred Amount: \$83,204

Current Year Amortized Cost: \$12,935

Year	Principal 1-November	Interest		Annual Total
		1-May	1-November	
2005	\$ 30,000		\$ 78,424	\$ 108,424
2006	35,000	\$ 77,899	77,899	190,798
2007	215,000	77,287	77,287	369,574
2008	180,000	72,987	72,987	325,974
2009	205,000	69,274	69,274	343,548
2010	235,000	64,918	64,918	364,836
2011	265,000	59,777	59,777	384,554
2012	300,000	54,146	54,146	408,292
2013	335,000	47,696	47,696	430,392
2014	375,000	40,326	40,326	455,652
2015	415,000	31,889	31,889	478,778
2016	460,000	22,448	22,448	504,896
2017	505,000	11,867	11,867	528,734
Total	<u>\$3,555,000</u>	<u>\$630,514</u>	<u>\$ 708,938</u>	<u>\$ 4,894,452</u>

Defeased Debt

In 2001, the city defeased the 1991 Series Bonds by placing the proceeds of new bonds (\$3,700,000) in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the financial statements. At June 30, 2005, \$3,400,000 of 1991 series bonds outstanding are considered defeased.

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS

NOTE I--LONG-TERM DEBT (Continued)

2004 Water Supply and Sewage Disposal System Revenue Bonds

Date of Issue: December 27, 2004

Amount: \$550,000

Year	Principal 1-Mar	Interest		Annual Total
		1-Mar	1-Sep	
2005			\$ 18,934	\$ 18,934
2006	\$ 5,000	\$ 12,623	12,498	30,120
2007	10,000	12,498	12,248	34,745
2008	10,000	12,248	11,998	34,245
2009	10,000	11,998	11,748	33,745
2010	15,000	11,748	11,508	38,255
2011	15,000	11,508	11,253	37,760
2012	15,000	11,253	10,983	37,235
2013	15,000	10,983	10,701	36,684
2014	15,000	10,701	10,409	36,110
2015	20,000	10,409	10,009	40,418
2016	20,000	10,009	9,599	39,608
2017	20,000	9,599	9,179	38,778
2018	20,000	9,179	8,749	37,928
2019	20,000	8,749	8,309	37,058
2020	25,000	8,309	7,746	41,055
2021	25,000	7,746	7,171	39,918
2022	25,000	7,171	6,584	38,755
2023	25,000	6,584	5,978	37,561
2024	30,000	5,978	5,250	41,228
2025		5,250	5,250	10,500
2026		5,250	5,250	10,500
2027		5,250	5,250	10,500
2028		5,250	5,250	10,500
2029		5,250	5,250	10,500
2030	210,000	5,250		215,250
Total	\$ 550,000	\$220,788	\$227,099	\$997,886

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS

NOTE I--LONG-TERM DEBT (Continued)2005 Water Supply and Sewage Disposal System Revenue Bonds

Date of Issue: June 1, 2005

Amount: \$900,000

Fiscal Year	Principal 1-Mar	Interest		Annual Total
		1-Mar	1-Sep	
2006	\$ 20,000	\$ 29,218	\$ 19,179	\$ 68,397
2007	20,000	19,179	18,869	58,048
2008	20,000	18,869	18,554	57,423
2009	25,000	18,554	18,148	61,701
2010	25,000	18,148	17,729	60,876
2011	25,000	17,729	17,298	60,026
2012	25,000	17,298	16,848	59,145
2013	25,000	16,848	16,385	58,233
2014	30,000	16,385	15,815	62,200
2015	30,000	15,815	15,230	61,045
2016	30,000	15,230	14,630	59,860
2017	35,000	14,630	13,912	63,542
2018	35,000	13,913	13,178	62,090
2019	35,000	13,178	12,425	60,603
2020	35,000	12,425	11,638	59,063
2021	40,000	11,638	10,738	62,375
2022	40,000	10,738	9,838	60,575
2023	45,000	9,838	8,825	63,663
2024	45,000	8,825	7,756	61,581
2025	45,000	7,756	6,688	59,444
2026	50,000	6,688	5,500	62,188
2027	50,000	5,500	4,250	59,750
2028	55,000	4,250	2,875	62,125
2029	55,000	2,875	1,500	59,375
2030	60,000	1,500		61,500
Total	<u>\$900,000</u>	<u>\$327,022</u>	<u>\$297,803</u>	<u>\$ 1,524,825</u>

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS

NOTE I--LONG-TERM DEBT (Continued)

Annual Debt Service Requirements--Component Units

The annual requirements to pay the principal and interest on the component units direct long-term debt obligations outstanding at June 30, 2005 are as follows:

1999 Downtown Development Refunding Bonds

Date of Issue: May 20, 1999

Amount: \$1,945,000

Year	Principal 1-November	Interest		Annual Total
		1-May	1-November	
2005	\$ 65,000		\$ 42,733	\$ 107,733
2006	65,000	\$ 41,416	41,416	147,832
2007	70,000	40,084	40,084	150,168
2008	65,000	38,614	38,614	142,228
2009	70,000	37,216	37,216	144,432
2010	75,000	35,711	35,711	146,422
2011	80,000	34,099	34,099	148,198
2012	85,000	32,319	32,319	149,638
2013	90,000	30,428	30,428	150,856
2014	90,000	28,425	28,425	146,850
2015	95,000	26,333	26,333	147,666
2016	105,000	24,124	24,124	153,248
2017	110,000	21,683	21,683	153,366
2018	115,000	19,070	19,070	153,140
2019	120,000	16,339	16,339	152,678
2020	125,000	13,489	13,489	151,978
2021	135,000	10,395	10,395	155,790
2022	140,000	7,054	7,054	154,108
2023	145,000	3,589	3,589	152,178
Total	<u>\$ 1,845,000</u>	<u>\$460,388</u>	<u>\$ 503,121</u>	<u>\$ 2,808,509</u>

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS

NOTE I--LONG-TERM DEBT (Continued)2004 Downtown Development Refunding Bonds

Date of Issue: February 18, 2004

Amount: \$405,000

Year	Principal 1-November	Interest		Annual Total
		1-May	1-November	
2005	\$ 15,000		\$ 7,878	\$ 22,878
2006	15,000	\$ 7,728	7,728	30,456
2007	15,000	7,578	7,578	30,156
2008	20,000	7,410	7,410	34,820
2009	20,000	7,135	7,135	34,270
2010	20,000	6,835	6,835	33,670
2011	20,000	6,510	6,510	33,020
2012	20,000	6,160	6,160	32,320
2013	25,000	5,785	5,785	36,570
2014	20,000	5,285	5,285	30,570
2015	20,000	4,885	4,885	29,770
2016	20,000	4,455	4,455	28,910
2017	20,000	4,025	4,025	28,050
2018	20,000	3,575	3,575	27,150
2019	20,000	3,125	3,125	26,250
2020	20,000	2,625	2,625	25,250
2021	30,000	2,125	2,125	34,250
2022	30,000	1,375	1,375	32,750
2023	25,000	625	625	26,250
Total	<u>\$ 395,000</u>	<u>\$87,241</u>	<u>\$ 95,119</u>	<u>\$577,360</u>

On February 8, 2004, the city issued \$405,000 in Downtown Development Refunding Bonds, Series 2004, with an average interest rate of 3.755 percent to refund \$365,000 of outstanding 1994 Downtown Development Bonds, Series 1994 with an average interest rate of 6.772 percent. The net proceeds of \$384,429 (after the payment of \$20,751 in underwriting fees and related bond issuance costs), were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1994 Series bonds. As a result, the 1994 bonds are considered to be defeased and the liability for those bonds has been removed from the component unit column of the statement of net assets. The city refunded the 1994 Series bonds to reduce its total debt service payments over the next 20 years by \$77,914 and resulted in an economic gain of \$51,649.

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS

NOTE I--LONG-TERM DEBT (Continued)

Economic Development Corporation (EDC)

Note Payable--Real Estate

Date of Issue: September 29, 2004

Amount: \$490,000

Fiscal Year Ended 30-Jun	Principal Payments	Interest Payments	Annual Total
2006	\$ 39,148	\$ 26,232	\$ 65,380
2007	41,304	24,076	65,380
2008	43,830	21,550	65,380
2009	46,510	18,870	65,380
2010	49,354	16,026	65,380
2011	52,372	13,008	65,380
2012	55,575	9,805	65,380
2013	58,973	6,407	65,380
2014	62,580	2,800	65,380
2015	12,864	111	12,975
Total	<u>\$462,510</u>	<u>\$138,885</u>	<u>\$601,395</u>

Effective for the fiscal year ended June 30, 2002, the Economic Development Corporation assumed a mortgage from the General Fund. On September 29, 2004, the city refinanced the old mortgage, which had a balance of \$487,791 on June 30, 2004. The new loan balance of \$490,000 is payable in 120 monthly installments beginning on October 29, 2004. The interest rate on this loan is 5.95% for the first five years; thereafter, the fixed rate is the greater of (a) 5.95% or (b) two percentage points over the rate on five year U.S. Treasury obligation existing on the fifth anniversary of the date of the note.

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS

NOTE I--LONG-TERM DEBT (Continued)

Debt Covenants

The city's five revenue bonds issued include covenants to set aside amounts in bond reserve funds. At June 30, 2005, there was \$6,839, \$3,302, \$57,194, \$41,744 and \$886,866 in separate bank accounts for the bond reserves for the 2004 DDA Refunding Bond, 1994 DDA Water and Sewer Improvement Revenue Bonds, 1996 Water and Sewer Improvement Revenue Bonds, 2004 Water and Sewer Improvement Revenue Bonds, and the 2005 Water and Sewer Improvement Revenue Bonds, respectively. These bonds reserves are reported as "Restricted Cash" in the Statement of Net Assets for the respective funds.

No Commitment Debt

Excluded from the long-term debt are revenue bonds issued by the Economic Development Corporation issued to acquire and lease property to third parties. The revenue bonds issued are payable solely from the net revenue derived from the respective leases and are not a general obligation of the city. After these bonds are issued, all financial activity is taken over by the paying agent. The bonds and related lease contracts are not reflected in the city's financial statements. Information regarding the status of the bond issue, including possible default must be obtained from the paying agent or other knowledgeable source. The amount outstanding at June 30, 2005 is \$500,000.

NOTE J--COMPENSATED ABSENCES

Vested Employee Benefits Payable

The city has an accrued liability for accumulated vested vacation and sick leave benefits payable for its employees. As of June 30, 2005, the accumulated vested vacation and sick leave benefits of the city's employees were as follows:

Vested Employee Benefits Payable--Primary Government

	<u>Sick/Personnel Leave</u>	<u>Vacation Leave</u>	<u>Total</u>
General Government	\$ 18,978	\$30,442	\$49,420
Public Works Department	<u>372</u>	<u>2,086</u>	<u>2,458</u>
Total	<u>\$ 19,350</u>	<u>\$32,528</u>	<u>\$51,878</u>

These amounts are reported in the Statement of Net Assets as a noncurrent liability in the governmental (General Government) and business-type activities (Sewer Enterprise Fund--Public Works Department).

City employees are entitled to certain vacation and sick pay benefits that accrue and vest under the terms of the city's labor agreements and personnel policy.

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS

NOTE J--COMPENSATED ABSENCES (Continued)

Vacation leave is earned in varying amounts ranging from 1 to 5 five weeks depending on the number of years of service provided by the employee and is available on the employee's anniversary date. With supervisory approval, employees may carry over a maximum of one week to the subsequent period.

Sick leave is earned by all city employees at the rate of 12 days annually with each day being made available as of the last day of the month. A maximum of 24 days may be accrued. Upon retirement, employees are paid one-half of their accumulated unused sick leave.

NOTE K--EMPLOYEES' RETIREMENT SYSTEM

PRIMARY GOVERNMENT

Description of Plan and Plan Assets

The City of Williamston is in an agent multiple-employer defined benefit pension plan with the Municipal Employees' Retirement System (MERS), administered by the State of Michigan. The system provides the following provisions: normal retirement, deferred retirement, service retirement allowance, disability retirement allowance, nonduty-connected death and post-retirement adjustments to plan members and their beneficiaries. The service requirement for General employees is computed using credited service at the time of termination of membership multiplied by the sum of 2% times the final average compensation (FAC). The service requirement for Non-Union employees is computed using credited service at the time of termination of membership multiplied by the sum of 2.25% of (FAC), with a maximum benefit of 80% of FAC. The service requirement for Police and Non-Union Classified employees is computed using credited service at the time of termination of membership multiplied by the sum of 2.5% of (FAC), with a maximum benefit of 80% of FAC. The most recent period for which actuarial data was available was for the calendar year ended December 31, 2004.

MERS was organized pursuant to Section 12a of Public Act 156 of 1851, MCL 46.12(a), as amended, State of Michigan. MERS is regulated under Public Act 427 of 1984, sections of which have been approved by the State Pension Commission. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the MERS at 1134 Municipal Way, Lansing, Michigan 48917.

Funding Policy

General employees contribute 4.75%, Police contribute 8.00%, Non-Union employees contribute 7.00% and Non-Union Classified employees contribute 9.90% of their annual compensation, respectively. The city's pension contributions of covered payroll for the period ending December 31, 2004 were 7.18% for General employees, 17.13% for Police, 6.90% for Non-Union Employees, and 0.00% for Non-Union Classified employees, respectively.

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS

NOTE K--EMPLOYEES' RETIREMENT SYSTEM (Continued)

If a member leaves the employment of the municipality or dies, without a retirement allowance or other benefit payable on his/her account, the member's accumulated contributions plus interest (at a rate determined by MERS, currently 1.5%) are refunded with spousal consent, to the member, if living, or to the member's surviving spouse, if any, or to a named beneficiary.

Annual Pension Cost

During the calendar year ended December 31, 2004, the city's contributions totaled \$85,279 and the employee contributions totaled \$60,888; these contributions were made in accordance with the contribution requirement determined by an actuarial valuation of the plan as of December 31, 2002, and personnel agreement. The employer contribution rate has been determined based on the entry age normal funding method. Under the entry age normal cost funding method, the total employer contribution is comprised of the normal cost plus the level annual percentage of payroll payment required to amortize the unfunded actuarial accrued liability over 30 years. The employer normal cost is, for each employee, the level percentage of payroll contribution (from entry age to retirement) required to accumulate sufficient assets at the member's retirement to pay for his/her projected benefit. Significant actuarial assumptions used include a long-term investment yield rate of 8% and annual salary increases of 4.5% plus a percentage based on an age-related scale to reflect merit, longevity, and promotional salary increases.

Three Year Trend Information for GASB Statement No. 27

<u>Year Ended 12/31</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2002	\$ 82,389	100%	\$0
2003	67,385	100%	\$0
2004	85,279	100%	\$0

Required Supplementary Information for GASB Statement No. 27

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Underfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percent of Covered Payroll</u>
12/31/2002	\$ 1,898,108	\$ 2,680,332	\$ 782,224	71%	\$ 648,558	121%
12/31/2003	2,016,088	2,921,768	905,680	69%	744,330	122%
12/31/2004	2,103,196	3,027,290	924,094	69%	878,927	105%

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS

NOTE L--DEFERRED COMPENSATION PLAN

Primary Government

The City of Williamston offers all employees a deferred compensation plan created in accordance with the Internal Revenue Code, Section 457. The assets of the plan are held in a trust, custodial account or annuity contract described in IRC Section 457(g) for the exclusive benefit of the participants (employees) and their beneficiaries. The custodial account is held by the ICMA Retirement Corporation for the exclusive benefit of the participants and beneficiaries of these Section 457 plans and the assets may not be diverted to any other use. The administrator is an agent of the employer. The administrator provides direction to the custodian, from time to time, regarding the investment of the funds held in the account, transfer of assets to or from the account and all other matters. In accordance with the provisions of GASB Statement No. 32, plan balances and activities are not reflected in the city's financial statements. The city also has a 401A Qualified Plan, which covers only a former city manager. The custodial account is also held by the ICMA Retirement Corporation.

NOTE M--RISK MANAGEMENT/SELF-INSURANCE PROGRAMS

PRIMARY GOVERNMENT

The city and its component units are exposed to various risks of loss related to theft of, damage to, and distribution of assets, error and omissions; and injuries to employees. The city participates in the Michigan Municipal Liability and Property Pool (Pool) for claims relating to general liability, excess liability, auto liability, errors and omissions, physical damage (equipment, building and contents) and workers' compensation. Settlement amounts have not exceeded insurance coverage for the current or three prior years.

Local units in the State of Michigan established and created a trust fund, known as the Michigan Municipal Liability and Property Pool pursuant to the provisions of Public Act 138 of 1982. The Pool is to provide for joint and cooperative action relative to member financial and administrative resources for the purpose of providing risk management services along with property and liability protection. Membership is restricted to local units and related local unit activities within the state.

The Michigan Municipal Liability and Property Pool program operates as a common risk-sharing management program for local units in Michigan. Member premiums are used to purchase excess insurance coverage and to pay member claims in excess of deductible amounts.

CITY OF WILLIAMSTON
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
Year Ended June 30, 2005

EXHIBIT K

	Original Budget	Amended Budget	Actual	Variance With Amended Budget Positive (Negative)
Fund Balance--July 1, 2004	\$ 664,907	\$ 925,933	\$ 925,933	-
Resources (Inflows)				
Property Taxes				
Current Property Taxes	1,580,000	1,480,000	1,481,763	\$ 1,763
Mobile Home Specific Taxes	1,200	1,200	916	(284)
Penalties and Interest on Taxes	12,000	12,000	21,179	9,179
Property Tax Administration Fees	55,000	55,000	59,453	4,453
Total Property Taxes	1,648,200	1,548,200	1,563,311	15,111
Licenses and Permits				
Liquor Licenses	2,000	2,000	2,038	38
Cable Franchise Fee	14,500	14,500	16,658	2,158
Other Licenses and Permits	1,000	1,000	535	(465)
Total Licenses and Permits	17,500	17,500	19,231	1,731
State Grants				
Act 302 Officer Training	750	750	1,586	836
State Shared Revenue	315,150	315,150	324,428	9,278
Total State Grants	315,900	315,900	326,014	10,114
Charges for Services				
General Sales	2,500	2,500	2,051	(449)
Garbage Bag Sales	10,000	10,000	6,718	(3,282)
Police Reports and Service Fees	5,000	5,000	9,289	4,289
Miscellaneous	1,200	1,200	560	(640)
Total Charges for Services	18,700	18,700	18,618	(82)
Fines and Forfeitures				
Traffic Fines	3,200	3,200	2,766	(434)
Parking Fines and Civil Infractions	1,250	1,250	4,586	3,336
Drug Forfeitures	-	-	1,450	1,450
Total Fines and Forfeitures	4,450	4,450	8,802	4,352
Interest and Rentals				
Interest Earned	2,500	2,500	5,454	2,954
Equipment Rental	35,000	35,000	86,637	51,637
Total Interest and Rentals	37,500	37,500	92,091	54,591
Other Revenue				
Sidewalk Special Assessments	-	-	1,079	1,079
Sale of Capital Assets	50,000	50,000	52,904	2,904
Donations	10,000	10,000	6,260	(3,740)
Gain on Sale of Capital Assets	-	-	10,338	10,338
Refunds and Reimbursements	8,750	8,750	18,482	9,732
Total Other Revenue	68,750	68,750	89,063	20,313

**CITY OF WILLIAMSTON
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
Year Ended June 30, 2005**

**EXHIBIT K
(CONTINUED)**

	Original Budget	Amended Budget	Actual	Variance With Amended Budget Positive (Negative)
Interfund Transfers In				
Primary Government	94,750	94,750	92,544	(2,206)
Component Units	112,400	90,000	90,000	-
Total Other Revenue	-	-	-	-
Amounts Available for Appropriation	2,775,907	2,936,933	3,043,063	106,130
Charges to Appropriations (Outflows)				
General Government				
City Council	26,300	23,300	17,815	5,485
City Manager	177,800	177,800	177,656	144
Clerk	78,600	78,600	72,810	5,790
Treasurer	156,100	172,100	163,020	9,080
Assessor	46,940	46,940	35,368	11,572
Elections	16,500	16,500	9,147	7,353
Buildings and Grounds	203,250	203,250	146,710	56,540
Attorney	75,000	75,000	56,591	18,409
Cemetery Board	12,000	12,000	12,000	-
Wheatfield Township 425 Revenue Sharing	12,000	12,000	11,860	140
Public Safety				
Police	569,350	534,350	500,590	33,760
Ingham County Hazmat Team	500	500	500	-
Public Works				
Department of Public Works	135,850	56,850	37,433	19,417
Equipment Maintenance	100,000	74,000	51,350	22,650
Sidewalks	20,500	20,500	4,354	16,146
Street Lighting	50,000	50,000	42,026	7,974
City Tree Service	15,400	15,400	1,529	13,871
Leaf and Grass Collection	70,500	70,500	59,696	10,804
Tobias Drain Assessment	96,000	96,000	93,541	2,459
Pedestrian Bridge	-	95,000	94,915	85
Community and Economic Development				
Planning Commission	60,500	60,500	60,574	(74)
Community and Economic Development Administration	109,500	109,500	52,950	56,550
Recreation and Cultural				
Parks and Recreation	72,200	72,200	61,421	10,779
Library	9,000	12,000	9,754	2,246
Red Cedar Recreation Association	6,000	6,000	4,220	1,780
Capital Outlay				
New Equipment	-	258,716	238,493	20,223
Debt Service				
Principal	36,135	36,135	36,134	1
Interest and Fiscal Fees	5,865	5,865	5,862	3
Interfund Transfers (Out)--Primary Government	274,500	289,500	289,500	-
Total Charges to Appropriations	2,436,290	2,681,006	2,347,819	333,187
Fund Balance--June 30, 2005	\$ 339,617	\$ 255,927	\$ 695,244	\$ 439,317

CITY OF WILLIAMSTON
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE
MAJOR STREET--MAJOR SPECIAL REVENUE FUND
Year Ended June 30, 2005

EXHIBIT L

	Original Budget	Amended Budget	Actual	Variance With Amended Budget Positive (Negative)
Revenues				
Federal Grants		\$ 527,390	\$ 527,390	-
State Grants	\$ 161,000	259,886	256,876	\$ (3,010)
Interest and Rentals	750	750	1,762	1,012
Other Revenue	100	100	212	112
Total Revenues	161,850	788,126	786,240	(1,886)
Expenditures				
Public Works				
Preservation/Structural Improvement	392,000	906,300	728,275	178,025
Surface Maintenance	53,100	84,600	76,394	8,206
Sweeping/Flushing	9,900	11,400	9,618	1,782
Traffic Control	6,500	6,500	1,524	4,976
Winter Maintenance	55,400	55,400	32,940	22,460
Administration	10,550	10,550	3,409	7,141
Total Expenditures	527,450	1,074,750	852,160	222,590
Excess of Revenues Over (Under) Expenditures	(365,600)	(286,624)	(65,920)	220,704
Other Financing Sources (Uses)				
Interfund Transfers In	265,000	265,000	265,000	-
Interfund Transfers (Out)	(5,400)	(5,400)	(5,400)	-
Total Other Financing Sources (Uses)	259,600	259,600	259,600	-
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(106,000)	(27,024)	193,680	220,704
Fund Balance--July 1, 2004	326,202	326,202	326,202	-
Fund Balance--June 30, 2005	\$ 220,202	\$ 299,178	\$ 519,882	\$ 220,704

CITY OF WILLIAMSTON
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE
LOCAL STREET--MAJOR SPECIAL REVENUE FUND
Year Ended June 30, 2005

EXHIBIT M

	Original Budget	Amended Budget	Actual	Variance With Amended Budget Positive (Negative)
Revenues				
State Grants	\$ 52,000	\$ 52,000	\$ 51,554	\$ (446)
Interest and Rentals	350	350	821	471
Other Revenue	500	329,340	329,587	247
Total Revenues	52,850	381,690	381,962	272
Expenditures				
Public Works				
Construction	-	328,840	328,840	-
Routine Maintenance	26,200	26,200	18,157	8,043
Traffic Services	4,350	4,350	1,303	3,047
Winter Maintenance	22,300	22,300	23,564	(1,264)
Administration	12,700	12,700	3,393	9,307
Total Expenditures	65,550	394,390	375,257	19,133
Excess of Revenues Over (Under) Expenditures	(12,700)	(12,700)	6,705	19,405
Other Financing Sources (Uses)				
Interfund Transfers (Out)	(42,465)	(42,465)	(42,465)	-
Total Other Financing Sources (Uses)	(42,465)	(42,465)	(42,465)	-
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(55,165)	(55,165)	(35,760)	19,405
Fund Balance--July 1, 2004	77,444	77,444	153,844	76,400
Fund Balance--June 30, 2005	\$ 22,279	\$ 22,279	\$ 118,084	\$ 95,805

**CITY OF WILLIAMSTON
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
June 30, 2005**

EXHIBIT N

	<div> SPECIAL REVENUE FUND <div> DEBT SERVICE FUNDS </div> </div>			
	Building and Zoning	2003 Act 175 Bond Debt	2003 Act 342 Bond Debt	Total
<u>ASSETS</u>				
Accounts Receivable	\$ 25			\$ 25
Due From Other Funds (Primary Government)	12,907	\$ 1,035	\$ 18,070	32,012
Total Assets	<u>\$ 12,932</u>	<u>\$ 1,035</u>	<u>\$ 18,070</u>	<u>\$ 32,037</u>
<u>LIABILITIES AND FUND BALANCES</u>				
Accounts Payable	\$ 4,441			\$ 4,441
Accrued Liabilities	356			356
Total Liabilities	<u>4,797</u>	<u>\$ -</u>	<u>\$ -</u>	<u>4,797</u>
Fund Balances				
Reserved for				
Debt Service		1,035	18,070	19,105
Building and Zoning	8,135			8,135
Total Fund Balances	<u>8,135</u>	<u>1,035</u>	<u>18,070</u>	<u>27,240</u>
Total Liabilities and Fund Balances	<u>\$ 12,932</u>	<u>\$ 1,035</u>	<u>\$ 18,070</u>	<u>\$ 32,037</u>

CITY OF WILLIAMSTON
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2005

EXHIBIT O

	<u>SPECIAL REVENUE FUND</u>	<u>DEBT SERVICE FUNDS</u>		
	Building and Zoning	2003 Act 175 Bond Debt	2003 Act 342 Bond Debt	Total
Revenues				
Licenses and Permits	\$ 47,661			\$ 47,661
Charges for Services	6,304			6,304
Total Revenues	53,965	\$ -	\$ -	53,965
Expenditures				
Current				
Public Safety	75,824			75,824
Principal			25,000	25,000
Interest and Fees		9,633	66,542	76,175
Total Expenditures	75,824	9,633	91,542	176,999
Excess of Revenue Over (Under)				
Expenditures	(21,859)	(9,633)	(91,542)	(123,034)
Other Financing Sources (Uses)				
Interfund Transfers In (Primary Government)	15,000	10,000	27,465	52,465
Interfund Transfers In (Component Unit)			60,000	60,000
Total Other Financing Sources (Uses)	15,000	10,000	87,465	112,465
Excess of Revenues and Other Sources Over (Under)				
Expenditures and Other Uses	(6,859)	367	(4,077)	(10,569)
Fund Balance--July 1, 2004	14,994	668	22,147	37,809
Fund Balance--June 30, 2005	\$ 8,135	\$ 1,035	\$ 18,070	\$ 27,240

**CITY OF WILLIAMSTON
ECONOMIC DEVELOPMENT CORPORATION
GOVERNMENTAL FUND BALANCE SHEET/
STATEMENT OF NET ASSETS
June 30, 2005**

EXHIBIT P

	Modified Accrual Basis	Full Accrual Adjustments	Statement of Net Assets
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 46,479		\$ 46,479
Investments	9,955		9,955
Accounts Receivable (Net)	100,000		100,000
Capital Assets (Net of Accumulated Depreciation)		\$ 886,120	886,120
Total Assets	<u>\$ 156,434</u>	<u>\$ 886,120</u>	<u>\$ 1,042,554</u>
<u>LIABILITIES</u>			
Current Liabilities			
Accounts Payable	\$ 1,050		\$ 1,050
Due to Other Funds--Primary Government	23,168		23,168
Deferred Revenue--Accounts Receivable	100,000	\$ (100,000)	-
Non-Current Liabilities			
Notes Payable			
Due Within One Year		39,148	39,148
Due in More Than One Year		423,362	423,362
Total Liabilities	<u>124,218</u>	<u>362,510</u>	<u>486,728</u>
<u>FUND BALANCE/NET ASSETS</u>			
Fund Balances--Unreserved	<u>32,216</u>	<u>(32,216)</u>	<u>-</u>
Total Fund Equities	<u>32,216</u>	<u>(32,216)</u>	<u>-</u>
Total Liabilities and Fund Balance	<u>\$ 156,434</u>		
Net Assets			
Invested in Capital Assets--Net of Related Debt		523,610	523,610
Restricted for Economic Development Programs		32,216	32,216
Total Net Assets		<u>\$ 555,826</u>	<u>\$ 555,826</u>

CITY OF WILLIAMSTON

EXHIBIT Q

ECONOMIC DEVELOPMENT CORPORATION

STATEMENT OF GOVERNMENTAL FUND REVENUE, EXPENDITURES

AND CHANGES IN FUND BALANCE/STATEMENT OF ACTIVITIES

For the Year Ended June 20, 2005

	Modified Accrual Basis	Full Accrual Adjustments	Statement of Net Assets
Revenue			
Charges for Services	\$ 3,607		\$ 3,607
Interest and Rents	66,400		66,400
Other Revenues	115,885	\$ (112,707)	3,178
Total Revenue	185,892	(112,707)	73,185
Expenditures			
Community and Economic Development	19,109	62,183	81,292
Capital Outlay	20,045	(20,045)	-
Debt Service			
Principal	515,282	(515,282)	-
Interest	35,405	-	35,405
Total Expenditures	589,841	(473,144)	116,697
Excess of Revenue Over (Under) Expenditures	(403,949)	360,437	(43,512)
Other Financing Sources			
Proceeds From Loan Note	490,000	(490,000)	-
Transfers Out--Primary Government	(83,000)		(83,000)
Total Other Financing Sources	407,000	(490,000)	(83,000)
Excess of Revenues and Other Financing Sources Over Expenditures	3,051		
Change in Net Assets		(129,563)	(126,512)
Fund Balance/Net Assets--Beginning of Year	29,165	375,232	404,397
Restatement to Beginning Net Assets		277,941	277,941
Restated Fund Balance/Net Assets Beginning of Year	29,165	653,173	682,338
Fund Balance/Net Assets--End of Year	\$ 32,216	\$ 523,610	\$ 555,826

**CITY OF WILLIAMSTON
TAX INCREMENT FINANCE AUTHORITY 2A
GOVERNMENTAL FUND BALANCE SHEET/
STATEMENT OF NET ASSETS
June 30, 2005**

EXHIBIT R

	Modified Accrual Basis	Full Accrual Adjustments	Statement of Net Assets
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 5,407		\$ 5,407
Investments	164,438		164,438
Capital Assets (Net of Accumulated Depreciation)		\$ 116,887	116,887
Total Assets	<u>\$ 169,845</u>	<u>\$ 116,887</u>	<u>\$ 286,732</u>
<u>LIABILITIES</u>			
Current Liabilities			
Accounts Payable	\$ 125		\$ 125
Due to Other Funds--Primary Government	1,109		1,109
Total Liabilities	<u>1,234</u>	<u>\$ -</u>	<u>1,234</u>
<u>FUND BALANCE/NET ASSETS</u>			
Fund Balances--Unreserved	<u>168,611</u>	<u>(168,611)</u>	<u>-</u>
Total Fund Equities	<u>168,611</u>	<u>(168,611)</u>	<u>-</u>
Total Liabilities and Fund Balance	<u>\$ 169,845</u>		
Net Assets			
Invested in Capital Assets--Net of Related Debt		116,887	116,887
Restricted for Tax Increment Finance Plans		168,611	168,611
Total Net Assets		<u>\$ 285,498</u>	<u>\$ 285,498</u>

CITY OF WILLIAMSTON
TAX INCREMENT FINANCE AUTHORITY 2A
STATEMENT OF GOVERNMENTAL FUND REVENUE,
EXPENDITURES AND CHANGES IN FUND BALANCE/
STATEMENT OF ACTIVITIES
For the Year Ended June 20, 2005

EXHIBIT S

	Modified Accrual Basis	Full Accrual Adjustments	Statement of Net Assets
Revenue			
Interest and Rents	\$ 2,333		\$ 2,333
Total Revenue	2,333	\$ -	2,333
Expenditures			
Community and Economic Development	117,253	1,863	119,116
Capital Outlay	55,879	(55,879)	-
Total Expenditures	173,132	(54,016)	119,116
Excess of Revenue Over (Under) Expenditures	(170,799)	54,016	(116,783)
Other Financing Sources			
Transfers (Out)--Primary Government	(25,290)		(25,290)
Total Other Financing Sources	(25,290)	-	(25,290)
Excess of Revenues and Other Financing Sources Over Expenditures	(196,089)		
Change in Net Assets		54,016	(142,073)
Fund Balance/Net Assets--Beginning of Year	364,700	62,871	427,571
Fund Balance/Net Assets--End of Year	\$ 168,611	\$ 116,887	\$ 285,498

CITY OF WILLIAMSTON
TAX INCREMENT FINANCE AUTHORITY 2B
GOVERNMENTAL FUND BALANCE SHEET/
STATEMENT OF NET ASSETS
June 30, 2005

EXHIBIT T

	Modified Accrual Basis	Full Accrual Adjustments	Statement of Net Assets
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 34,425		\$ 34,425
Investments	404,861		404,861
Capital Assets (Net of Accumulated Depreciation)		\$ 220,936	220,936
Total Assets	<u>\$ 439,286</u>	<u>\$ 220,936</u>	<u>\$ 660,222</u>
<u>LIABILITIES</u>			
Current Liabilities			
Accounts Payable	\$ 1,084		\$ 1,084
Due to Other Funds--Primary Government	1,517		1,517
Total Liabilities	<u>2,601</u>	<u>\$ -</u>	<u>2,601</u>
<u>FUND BALANCE/NET ASSETS</u>			
Fund Balances--Unreserved	<u>436,685</u>	<u>(436,685)</u>	<u>-</u>
Total Fund Equities	<u>436,685</u>	<u>(436,685)</u>	<u>-</u>
Total Liabilities and Fund Balance	<u>\$ 439,286</u>		
Net Assets			
Invested in Capital Assets--Net of Related Debt		220,936	220,936
Restricted for Tax Increment Finance Plans		<u>436,685</u>	<u>436,685</u>
Total Net Assets		<u>\$ 657,621</u>	<u>\$ 657,621</u>

CITY OF WILLIAMSTON
TAX INCREMENT FINANCE AUTHORITY 2B
STATEMENT OF GOVERNMENTAL FUND REVENUE,
EXPENDITURES AND CHANGES IN FUND BALANCE/
STATEMENT OF ACTIVITIES
For the Year Ended June 20, 2005

EXHIBIT U

	Modified Accrual Basis	Full Accrual Adjustments	Statement of Net Assets
Revenue			
Interest and Rents	\$ 5,401		\$ 5,401
Other Revenues	52,491		52,491
Total Revenue	57,892	\$ -	57,892
Expenditures			
Community and Economic Development	18,752	5,957	24,709
Capital Outlay	110,157	(110,157)	-
Total Expenditures	128,909	(104,200)	24,709
Excess of Revenue Over (Under) Expenditures	(71,017)	104,200	33,183
Other Financing Sources			
Transfers (Out)--Primary Government	(20,000)		(20,000)
Total Other Financing Sources	(20,000)	-	(20,000)
Excess of Revenues and Other Financing Sources Over Expenditures	(91,017)		
Change in Net Assets		104,200	13,183
Fund Balance/Net Assets--Beginning of Year	527,702	116,736	644,438
Fund Balance/Net Assets--End of Year	\$ 436,685	\$ 220,936	\$ 657,621

**CITY OF WILLIAMSTON
DOWNTOWN DEVELOPMENT AUTHORITY
GOVERNMENTAL FUND BALANCE SHEET/
STATEMENT OF NET ASSETS
June 30, 2005**

EXHIBIT V

	Modified Accrual Basis	Full Accrual Adjustments	Statement of Net Assets
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 52,552		\$ 52,552
Investments	10,365		10,365
Due From Other Governmental Units	33,723		33,723
Due From Other Funds--Primary Government	27,400		27,400
Restricted Cash	6,839		6,839
Capital Assets (Net of Accumulated Depreciation)		\$ 1,046,451	1,046,451
Total Assets	\$ 130,879	\$ 1,046,451	\$ 1,177,330
<u>LIABILITIES</u>			
Current Liabilities			
Accounts Payable	\$ 1,795		\$ 1,795
Due to Other Funds--Primary Government	39,752		39,752
Accrued Liabilities	73		73
Non-Current Liabilities			
Bonds Payable			
Due Within One Year		\$ 80,000	80,000
Due in More Than One Year		2,160,000	2,160,000
Total Liabilities	41,620	2,240,000	2,281,620
<u>FUND BALANCE/NET ASSETS</u>			
Fund Balances--Unreserved	89,259	(89,259)	-
Total Fund Equities	89,259	(89,259)	-
Total Liabilities and Fund Balance	\$ 130,879		
Net Assets			
Invested in Capital Assets--Net of Related Debt		651,451	651,451
Restricted for Downtown Development Activities		(1,755,741)	(1,755,741)
Total Net Assets		\$ (1,104,290)	\$ (1,104,290)

CITY OF WILLIAMSTON
DOWNTOWN DEVELOPMENT AUTHORITY
STATEMENT OF GOVERNMENTAL FUND REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCE/STATEMENT OF ACTIVITIES
For the Year Ended June 20, 2005

EXHIBIT W

	Modified Accrual Basis	Full Accrual Adjustments	Statement of Net Assets
Revenue			
Property Taxes	\$ 406,226		\$ 406,226
Federal Aid	33,247		33,247
State Aid	11,083		11,083
Interest and Rents	463		463
Total Revenue	451,019	\$ -	451,019
Expenditures			
Community and Economic Development	154,675	2,607	157,282
Capital Outlay	93,576	(93,576)	-
Debt Service			
Principal	97,397	(97,397)	-
Interest	117,038	-	117,038
Total Expenditures	462,686	(188,366)	274,320
Excess of Revenue Over (Under) Expenditures	(11,667)	188,366	176,699
Other Financing Sources			
Transfers (Out)--Primary Government	(35,000)		(35,000)
Total Other Financing Sources	(35,000)	-	(35,000)
Excess of Revenues and Other Financing Sources Over Expenditures	(46,667)		
Change in Net Assets		188,366	141,699
Fund Balance/Net Assets--Beginning of Year	135,926	(1,381,915)	(1,245,989)
Fund Balance/Net Assets--End of Year	\$ 89,259	\$ (1,193,549)	\$ (1,104,290)



JENNIFER M. GRANHOLM
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

JAY B. RISING
STATE TREASURER

September 7, 2005

Honorable Mayor and City Council
City of Williamston
161 East Grand River Avenue
Williamston, Michigan 48895

RE: Report on Compliance and on Internal Control over Financial Reporting
Based on an Audit of Financial Statements Performed in Accordance With
Government Auditing Standards

Dear Council Members:

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Williamston, Michigan, as of and for the year ended June 30, 2005, which collectively comprise the City of Williamston's basic financial statements, and have issued our report thereon dated September 7, 2005.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance--As part of obtaining reasonable assurance about whether the City of Williamston's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting--In planning and performing our audit, we considered the City of Williamston's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in

amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management, the council members, Federal awarding agencies, and State and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in dark ink, appearing to read 'CJ Vaughn', is positioned above the printed name.

Cary Jay Vaughn, CPA, CGFM
Audit Manager
Local Audit and Finance Division